

MBOMBELA LOCAL MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014



City of Excellence

Audited
By

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AUDITED ANNUAL FINANCIAL STATEMENTS

for

MBOMBELA LOCAL MUNICIPALITY

for the year ended:

30 June 2014

Province:

Mpumalanga

AFS rounding:

R (i.e. only cents)

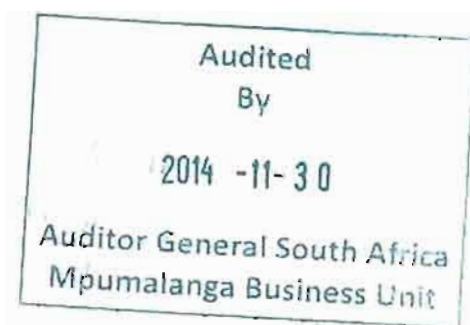
Contact Information:

Name of Acting Municipal Manager:	Mr L S Ditshego
	(013) 759 2005
	sello.ditshego@mbombela.gov.za
Name of Chief Financial Officer:	Vacant
Contact telephone number:	(013) 759 2005
Contact e-mail address:	N/A
Name of Acting Deputy Chief Financial Officer:	Mr O P Mokoena
Contact telephone number:	(013) 759 9060
Contact e-mail address:	oupa.mokoena@mbombela.gov.za
Name of contact at Provincial Treasury:	Mr H. Silaule
Contact telephone number:	(013) 766 4292
Contact e-mail address:	H.Silaule@mpg.gov.za
Name of contact at the Office of the Auditor General:	Mrs S Lubambo
Contact telephone number:	(013) 756 0800
Contact e-mail address:	www.agsa.co.za
Name of contact at National Treasury:	Mr Linda Maziya
Contact telephone number:	012 315 5712
Contact e-mail address:	linda.maziya@treasury.gov.za

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

INDEX	Page
General Information	
Approval and Certification	
Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Changes in Net Assets	3
Cash Flow Statement	4
Statement of Comparison of Budget and Actual Amounts	5-6
Notes to the Annual Financial Statements	7-60
UNAUDITED SUPPLEMENTARY SCHEDULES TO THE ANNUAL FINANCIAL STATEMENTS	
Appendix A: Schedule of Interest Bearing Borrowings	61
Appendix B: Analysis of Property, Plant and Equipment	62-63
Appendix C: Segmental Analysis of Property, Plant and Equipment	64
Appendix D: Segmental Statement of Financial Performance	65
Appendix E: Deviations from Supply Chain Management	66-69



MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

INDEX

Abbreviations

FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
MIG	Municipal Infrastructure Grant
MWIG	Municipal Water Infrastructure Grant
EPWP	Expanded Public Works Programme
AFCON	Africa Cup of Nations
INEP	Intergrated National Electrification Programme
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
PTIG	Public Transport Infrastructure Grant
MFMA	Municipal Finance Management Act No 56 of 2003
DBSA	Development Bank of Southern Africa
NT	National Treasury
PT	Provincial Treasury
SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
IAS	International Accounting Standards
ASB	Accounting Standards Board
VAT	Value Added Tax
SPCA	Society for the Prevention of Cruelty to Animals
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
PR	Proportional Representative Councillor
WCA	Workman Compensation Act
SCM	Supply Chain Management
MM	Municipal Manager
CFO	Chief Financial Officer
AG	Auditor - General
MMC	Member of Mayoral Committee
SALGA	South African Local Government Association
SETA	Sector Education and Training Authorities

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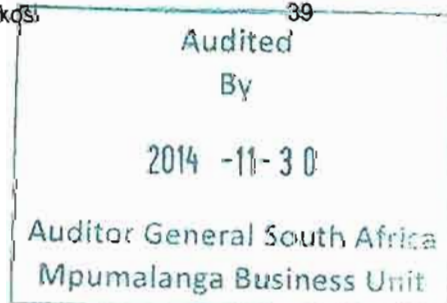
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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

General Information

Members of the Mayoral Committee & their Portfolios

Cllr S P Mathonsi	Executive Mayor
Cllr J Sidell	Speaker
Cllr SH Mbuyane	Chief Whip
Cllr ZM Boroko	Member of Mayoral Committee-Sports and Recreation
Cllr MS Magagula	Member of Mayoral Committee-Waste Services, Parks and Cemeteries
Cllr C Maseko	Member of Mayoral Committee- Infrastructure Development
Cllr PA Mathe	Member of Mayoral Committee-Water and Sanitation
Cllr M Mayinga	Member of Mayoral Committee-Financial Services
Cllr JM Mazibane	Member of Mayoral Committee-Corporate Services
Cllr BN Mdhuli	Member of Mayoral Committee-Human Settlements, Rural and Urban Development
Cllr FP Nkala	Member of Mayoral Committee-Public Safety, Public Transport, Health & Emergency Services
Cllr BA Zulu	Member of Mayoral Committee-Local Economic Development , Tourism and Trade

Councillor	Ward	Councillor	Ward
Cllr MB Mokoena	1	Cllr MI Tlou	21
Cllr MJ Msibi	2	Cllr ET Mkhabela	22
Cllr MZ Malumane	3	Cllr ME Mhaule	23
Cllr KE Maziya	4	Cllr TL Dlodlu	24
Cllr TD Tsela	5	Cllr MC Mhlanga	25
Cllr JM Mazibane	6	Cllr TM Bulunga	26
Cllr L Maseko	7	Cllr MS Mashele	27
Cllr JA Mkhonto	8	Vacant	28
Cllr BA Nyundu	9	Cllr KR Mabuza	29
Cllr MS Mdluli	10	Cllr TMJ Grove-Morgan	30
Cllr EM Mutobovu	11	Cllr CN Mnyambo	31
Cllr MC Mafotha	12	Cllr ST Nobela	32
Cllr A Kumba	13	Cllr NS Nyalunga	33
Cllr KM Mkhonto	14	Cllr SP Mavuso	34
Cllr F Lange	15	Cllr PP Nyalunga	35
Cllr H De Kock	16	Cllr JJ Khoza	36
Cllr W Le Grange	17	Cllr FJ Zulu	37
Cllr JB Mashaba	18	Cllr OM Thobela Ngwenyama	38
Cllr NW Motubaise	19	Cllr DT Nkomo	39
Cllr TC Simeleane	20		



MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

General information

Proportional Representative Councilors (PR)

Councillor	Ward	Councillor	Ward
Cllr KP Robertson	1	Cllr BN Mdhuli	19
Cllr DD Ngwenyama	2	Cllr TK Mabilane	20
Cllr TP Manana	4	Cllr BA Zulu	21
Cllr NF Dhlamini	5	Cllr SR Mabuza	22
Cllr HK Malomane	6	Cllr HL Twala	24
Cllr LN Moreko	7	Cllr NB Matume	25
Cllr MM Mlimi	8	Cllr M Mayinga	26
Cllr EM Sebashe	9	Cllr NM Zulu	27
Cllr TP Manave	10	Cllr MS Magagula	28
Cllr VL Mlimo	11	Cllr S P Mathonsi	30
Cllr SH Mbuyane	12	Cllr PV Mashego	32
Cllr DF Maseko	13	Cllr FP Nkala	33
Cllr W De Beer	14	Cllr St Mokoena	34
Cllr C Maseko	14	Cllr J Sidel	35
Cllr SR Schorman	15	Cllr RF Mgwenya	37
Cllr MK Matsemela	15	Cllr A Mbuyane	38
Cllr A Lubbe	16	Cllr ZM Boroko	38
Cllr T M Charles	17	Cllr TG Mabuza	39
Cllr J Koster	17	Cllr PA Mathe	39
Cllr WS Segage	18		

Audit and Performance Audit Committee

Mrs HC Thabethe	Chairperson
Ms FZ Mabilane	Member
Mr M Secker	Member
Ms GP Mwasi	Member

Acting Municipal Manager

Mr L S Ditshego

Chief Financial Officer

Vacant

Grading of Local Authority

Grade 5

Auditors

Auditor-General South Africa - Mpumalanga

10 Nel Street
Nelspruit
1200

P O Box 2684
Nelspruit
1200

Bankers

ABSA Bank Nelspruit
2nd Floor: Absa Square
20 Paul Kruger Street
Nelspruit

P O Box 1951
Nelspruit
1200

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General information

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

General Information (continued)

Registered Office:

Nelspruit Civic Centre

Physical address:

Civic Centre
 1 Nel street
 Nelspruit
 South Africa

Postal address:

P O Box 45
 Nelspruit
 1200

Telephone number:

(013) 759 9111

Fax number:

(013) 759 2002

Website address:

www.mbombela.gov.za

Libraries

Hazyview

(013) 737 7220

Kabokweni

(013) 796 1082

Matsulu

(013) 778 9864

Nelspruit

(013) 759 2077

Nelsville

(013) 755 4788

Victory Park

(013) 759 2089

White River

(013) 750 9125

Enquiries

Building Plans

(013) 759 2184

Electricity

(013) 759 2231

Water & Sewerage

(013) 752 2580

Consumers

(013) 759 2025 / 2064

Paypoints

White River

(013) 751 1176

KaNyamazane

(013) 794 1254

Matsulu

(013) 778 9061

Kabokweni

(013) 796 0227

Hazyview

(013) 737 7346

Nelspruit Civic Centre

(013) 759 2025 / 2064

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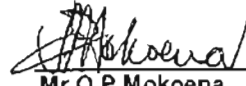
MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Approval and Certification of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 69, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. These statements fairly present the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2014.

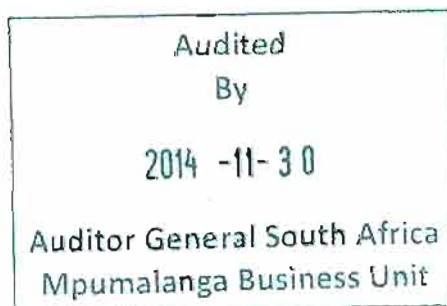
I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act.

Mr L S Ditshego
Acting Municipal Manager



Mr O P Mokoena
Acting Deputy Chief Financial Officer

DATE: 29 August 2014



MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014	Restated 2013
		R	R
ASSETS			
Current assets		279,660,608	189,656,584
Inventories	2	20,570,005	20,144,197
Current portion of receivables	10	38,480	17,729
Trade and other receivables from exchange transactions	3	106,210,915	91,013,690
Trade and other receivables from non-exchange transactions	3	18,085,432	20,462,987
Other receivables from non-exchange transactions	4	36,011,806	38,459,854
VAT receivable	5	2,631,868	-
Cash and cash equivalents	6	96,112,103	19,558,127
Non-current assets		5,505,816,660	5,487,244,454
Property, plant and equipment	7	5,151,359,288	5,131,020,659
Intangible assets	8	5,471,500	5,693,637
Investment property carried at cost	9	334,167,526	336,360,740
Non-current receivables	10	434,358	473,009
Investments	11	14,383,987	13,696,409
Total assets		5,785,477,268	5,676,901,038
LIABILITIES			
Current liabilities		842,239,476	668,455,781
Current portion of borrowings	12	18,016,973	14,259,575
Consumer deposits	13	22,262,338	19,817,740
Other financial liabilities	14	39,641,635	59,328,339
Current portion of provisions	15	4,638,912	5,861,918
VAT payable	5	-	5,908,813
Unspent conditional grants and receipts	16	295,055,540	138,520,706
Trade and other payables from exchange transactions	17	459,720,278	419,344,898
Current portion of employee benefit obligations	19	4,903,799	5,413,792
Non-current liabilities		485,593,902	411,414,795
Non-current borrowings	12	225,068,623	189,427,824
Non-current provisions	15	86,401,074	77,622,531
Deferred revenue	18	1,448,121	2,820,523
Employee benefit obligations	19	172,676,085	141,543,917
Total liabilities		1,327,833,378	1,079,870,576
Net assets		4,457,643,890	4,597,030,462
NET ASSETS			
Accumulated surplus		4,457,643,890	4,597,030,462
Total net assets		4,457,643,890	4,597,030,462

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MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	Restated 2013
		R	R
Revenue			
Exchange revenue		864,112,840	769,412,580
Service charges	21	709,238,543	635,228,889
Finance Income	22	26,495,129	18,278,241
Rental of facilities and equipment	24	18,592,109	18,265,561
Licences and permits		4,374	20,853
Agency fees	25	28,456,300	24,834,593
Other revenue	26	81,326,386	72,784,443
Non-exchange revenue		842,385,030	842,733,051
Property rates	20	290,608,404	274,261,958
Government grants and subsidies - operating	23	359,287,315	382,170,797
Government grants and subsidies - capital	23	170,643,340	168,277,079
Fines	27	15,327,210	16,684,852
Donations received		6,518,760	1,338,366
Total revenue		1,706,497,870	1,612,145,631
Expenses			
Employee related costs	28	459,896,516	418,218,486
Remuneration of councillors	29	25,891,785	20,925,396
Depreciation, amortisation and impairment losses	30	217,954,806	240,801,725
Bad debts	3 & 4	48,538,778	81,139,830
Finance costs	31	52,684,473	46,638,545
Collection costs		3,209,182	3,077,858
Bulk purchases	32	437,830,995	419,564,596
Contracted services	33	244,593,595	206,544,924
Grants and subsidies paid	34	23,707,021	25,873,542
General expenses	35	169,421,604	196,222,416
Repairs and maintenance	36	148,019,597	133,783,000
Total expenses		1,831,748,352	1,792,790,317
Operating surplus (deficit)		(125,250,482)	(180,644,686)
Gain / (loss) on disposal of assets	37	1,816,084	(1,000,562)
Actuarial (loss) / gain on defined benefit plan liability	19	(10,387,843)	63,766,151
Fair value adjustment on provision	15	(5,564,331)	(1,760,284)
Deficit for the year		(139,386,572)	(119,639,381)

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MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Accumulated Surplus R	Total: Net Assets R
Balance as previously reported 30 June 2011		4,991,350,355	4,991,350,355
Deficit for the period		(250,342,328)	(250,342,328)
Correction of prior period error adjustments	40	(24,338,183)	(24,338,183)
Restated Balance 1 July 2012		4,716,669,843	4,716,669,843
Deficit for the period		(119,639,381)	(119,639,381)
Restated Balance at 30 June 2013		4,597,030,462	4,597,030,462
Deficit for the period		(139,386,572)	(139,386,572)
Balance at 30 June 2014		4,457,643,890	4,457,643,890

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MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

CASH FLOW STATEMENT AS AT 30 JUNE 2014			
	Note	2014	Restated 2013
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1,797,603,544	1,607,419,229
Property rates		293,486,751	270,165,214
Sale of goods and services		728,037,074	634,719,817
Grants and subsidies		736,092,298	652,680,600
Interest received		3,714,173	3,246,046
Other receipts		38,273,248	46,607,752
Payments		1,530,558,005	1,369,866,202
Employee costs and remuneration of councillors		472,109,853	408,015,087
Bulk purchases		380,016,958	409,672,700
Interest paid		38,630,608	30,185,892
Other payments		468,073,969	362,336,061
Grants and subsidies		23,707,021	25,873,542
Repairs and maintenance		148,019,597	133,783,000
Net cashflows from operating activities	38	267,045,539	237,552,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(229,537,198)	(236,732,773)
Proceeds from disposal of property, plant and equipment and other assets		3,689,518	315,321
Increase / (decrease) in investments		(687,578)	(63,061)
(Increase) / decrease non-current receivables		17,900	(50,727)
Net cash flows from investing activities		(226,517,358)	(236,531,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		51,791,488	15,271,968
Repayment of borrowings		(14,393,291)	(29,860,764)
Deferred revenue		(1,372,402)	(2,595,205)
Repayment of finance lease liability		-	(71,588)
Net cash flows from financing activities		38,025,795	(17,255,588)
Net Increase / (decrease) in net cash and cash equivalents		76,553,976	(16,233,881)
Net cash and cash equivalents at beginning of period		19,558,127	35,792,008
Net cash and cash equivalents at end of period	39	96,112,103	19,558,127

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MBOMBELA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (No Council approved virement policy)	Final Budget	Actual	Variance	% Variance
Financial Performance							
Property Rates	313,814,088	304,918,695	-	304,918,695	290,608,404	(14,310,291)	-4.69%
Service Charges	781,357,717	738,764,783	-	738,764,783	709,238,543	(29,526,240)	-4.00%
Investment Revenue	5,780,262	3,955,548	-	3,955,548	3,714,174	(241,374)	-6%
Transfers Recognised - Operational	346,325,000	417,459,620	-	417,459,620	359,287,315	(58,172,305)	-13.93%
Other Own Revenue	184,174,933	184,652,966	-	184,652,966	174,822,179	(9,830,787)	-5.32%
Total Revenue (Excluding Capital Transfers & Contributions)	1,611,452,000	1,649,751,612	-	1,649,751,612	1,537,670,614	(112,080,998)	-6.79%
Employee Costs	464,868,172	449,022,009	(36,400)	448,985,609	459,896,516	10,910,907	2.43%
Remuneration Of Councillors	22,081,891	26,281,902	-	26,281,902	25,891,785	(390,117)	-1.48%
Debt Impairment	75,262,026	93,931,513	(35,399,193)	58,532,320	48,538,778	(9,993,542)	-17.07%
Depreciation and Asset Impairment	282,004,100	228,667,644	(8,697,996)	218,969,648	217,954,606	(1,014,842)	-0.46%
Finance Charges	56,247,727	42,013,805	-	42,013,805	52,684,473	10,670,668	25.40%
Transfers and Grants	22,313,000	21,182,369	1,818,000	23,080,369	21,277,368	(1,803,001)	-7.81%
Materials and Bulk Purchases	412,320,495	454,513,543	-	454,513,543	485,339,448	30,825,905	6.78%
Other Expenditures	514,522,160	461,879,133	80,235,670	542,114,803	520,165,177	(21,949,626)	-4.05%
Total Expenditure	1,849,619,572	1,777,471,918	37,020,081	1,814,491,999	1,831,748,353	17,256,354	0.95%
Surplus/(Deficit)	(238,167,571)	(127,720,306)	(37,020,081)	(164,740,387)	(294,077,739)	(129,337,352)	
Transfers recognised	394,816,000	444,898,014	-	444,898,014	170,643,340	(274,254,674)	-62%
Surplus/(Deficit) after capital transfers & contributions	156,648,429	317,177,709	(37,020,081)	280,157,628	(123,434,398)	(403,592,026)	-144%
Surplus / (Deficit) for the year	156,648,429	317,177,709	(37,020,081)	280,157,628	(123,434,398)	(403,592,026)	-144%
Capital Expenditure & Funds							
Capital Expenditure							
Transfers Recognised - Capital	332,813,472	441,455,840	(635,355)	440,820,485	165,614,836	(275,205,649)	-62.43%
Public Contributions & Donations	2,500,000	4,499,813	-	4,499,813	2,126,835	(2,372,978)	-52.74%
Borrowing	105,050,000	88,798,290	(6,814,796)	81,983,494	25,538,192	(56,445,302)	-68.85%
Internally Generated Funds	135,555,787	70,698,359	(9,032,435)	61,665,924	37,823,701	(24,042,224)	-38.99%
Total Sources Of Capital Funds	575,919,269	605,452,302	(16,482,586)	588,969,716	230,903,564	(358,066,153)	-60.80%
Total Budget	2,425,538,841	2,382,924,219	-	2,403,461,715	2,062,651,916	(340,809,799)	

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MBOMBELA LOCAL MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Original Budget	Budget Adjustments (I.L.O. s28 & s31 Of The MFMA)	Virement (Ito Council approved virement policy)	Final Budget	Actual	Variance	% Variance
Financial Position							
Total current assets	319,738,611	306,214,693	-	306,214,693	279,660,608	(26,554,085)	-8.67%
Total non current assets	5,701,656,207	5,969,821,614	-	5,969,821,614	5,505,816,660	(464,004,954)	-7.77%
Total Assets	6,021,394,818	6,276,036,307		6,276,036,307	5,785,477,268	(490,559,039)	-7.82%
Total current liabilities	208,559,667	363,988,501	-	363,988,501	842,239,476	478,250,975	131.39%
Total non current liabilities	559,187,128	406,891,345	-	406,891,345	485,593,902	78,702,557	19.34%
Total Liabilities	767,746,794	770,879,846	-	770,879,846	1,327,833,378	556,953,532	72.25%
Net Assets	5,253,648,023	5,505,156,461	-	5,505,156,461	4,457,643,890	(1,047,512,571)	-19.03%
Total Net Assets	5,253,648,023	5,505,156,461	-	5,505,156,461	4,457,643,890	(1,047,512,571)	-19.03%
Cash flows							
Net Cash From (Used) Operating	452,793,778	567,966,711	-	567,966,711	267,045,539	(300,921,172)	-52.98%
Net Cash From (Used) Investing	(489,876,777)	(511,382,413)	-	(511,382,413)	(226,517,358)	284,865,055	-55.70%
Net Cash From (Used) Financing	148,606,688	105,283,936	-	105,283,936	36,025,795	(69,258,141)	-55.78%
Cash/Cash Equivalents At The Beginning of the Year	110,156,184	19,558,127	-	19,558,127	19,558,127	(0)	0.00%
Cash/Cash Equivalents At The Year End	221,679,873	181,426,362	-	181,426,362	96,112,103	(85,314,259)	-47.02%

Refer to Note 49 for the management explanations of significant variances greater than 10%.

Refer to Note 49.1 for the explanation of the differences and reconciliation between the budgeted statement of financial performance and actual statement of financial performance.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

List of Effective Standards of GRAP:

GRAP 1	Presentation of Financial Statements (as revised in 2010)
GRAP 2	Cash Flow Statements (as revised in 2010)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions (as revised in 2010)
GRAP 11	Construction contracts (as revised in 2010)
GRAP 12	Inventories (as revised in 2010)
GRAP 13	Leases (as revised in 2010)
GRAP 14	Events after the Reporting Date (as revised in 2010)
GRAP 16	Investment Property (as revised in 2010)
GRAP 17	Property, Plant and Equipment (as revised in 2010)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee benefits
GRAP 26	Impairment of Cash- generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Non - Current assets held for sale and discontinued operations (as revised in 2010)
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

List of effective Interpretations of the Standards of GRAP

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (as revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

Approved not yet Effective Standard of GRAP used to disclose Information:

GRAP 20	Related Party Disclosures	Audited By 2014-11-30 Auditor General South Africa Mpumalanga Business Unit
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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.1 BASIS OF PRESENTATION (cont.)

New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:

The following GRAP standards have been approved by the Accounting Standards Board and effective dates have been determined by the Minister as indicated below except where effective date has not been determined. The standards have not been early adopted nor an accounting policy developed by the Municipality. The impact on the application of the new Standards could not be reasonably estimable as at the reporting date and it is not anticipated that these Standards will have a significant impact on the Municipality.

Standard	Effective Date
GRAP 18 Segment Reporting	Unknown
GRAP 32 Service Concession Arrangement : Grantor	Unknown
GRAP 105 Transfers of Functions Between Entities Under common control	Wednesday, July 01, 2015
GRAP 106 Transfers of Functions Between Entities Not Under common control	Wednesday, July 01, 2015
GRAP 107 Mergers	Wednesday, July 01, 2015
GRAP 108 Statutory Receivables	Effective date not approved
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.	Effective date not approved
GRAP 5 (Revised) Borrowing Costs	Tuesday, April 01, 2014
GRAP 25 (Revised) Employee benefits	Tuesday, April 01, 2014

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality. The figures are rounded off to the nearest Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.5 PROPERTY, PLANT AND EQUIPMENT

1.5.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the item can be measured reliably.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

1.5.2 INITIAL MEASUREMENT

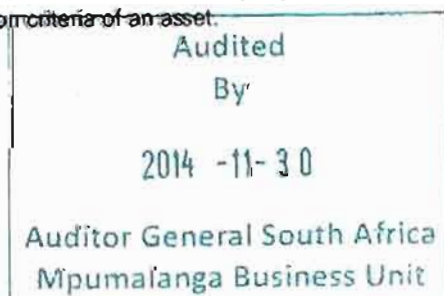
The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

1.5.3 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at fair value as at the date of acquisition.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.5 PROPERTY, PLANT AND EQUIPMENT (cont.)

1.5.3 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the statement of financial performance unless it is included in the carrying amount of another asset. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Useful Lives
Roads and Paving	3-80
Pedestrian Malls	15-30
Electricity	3-50
Water	5-55
Sewerage	10-55
Community	
Buildings	25-30
Recreational Facilities	25-30
Security	10-25
Halls	25-30
Libraries	25-30
Other assets	
Finance lease assets	
Office equipment	3-15
Other assets	2-10
Other	
Buildings	25-30
Specialised vehicles	5-10
Other vehicles	4-7
Office equipment	3-15
Furniture and fittings	5-7
Watercraft	4-7
Bins and containers	5-10
Specialised plant and equipment	2-20
Other items of plant and equipment	2-10
Landfill sites	10-55
Emergency equipment	5-10
Computer equipment	3-5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in accordance with the Standard of GRAP on accounting policies, changes in accounting estimates and errors.

1.5.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

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 Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.6 INTANGIBLE ASSETS

1.6.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.
- the expenditure attributable to the intangible asset during its development can be reliably measured by the Municipality.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.6.2 SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.6.3 AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

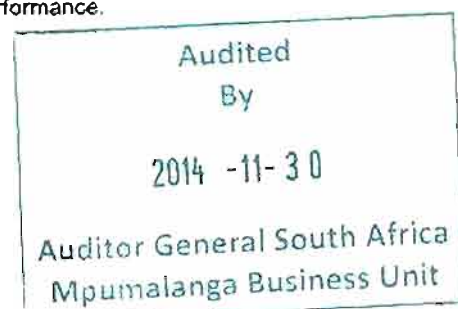
Computer software

2-5

Each item of intangible asset is amortised separately. Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitudes. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.6.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.7 INVESTMENT PROPERTY

1.7.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held (by the owner or lessee under a finance lease) to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that future economic benefits or service potential that are associated with the investment property will flow to the entity and the cost or fair value of the investment property can be measured reliably.

1.7.2 MEASUREMENT AT RECOGNITION

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.7.3 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Transfers to or from, investment property shall be made when there is a change in use evidenced by commencement or ending of owner occupation, commencement of operating lease to another party and development with a view to sale.

Investment properties (excluding land) - 15 to 30 years

1.7.4 DERECOGNITION

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.8 HERITAGE ASSETS

A heritage asset is defined as an asset that is held and preserved for cultural, environmental, historical, natural, scientific, technological and artistic significance for the benefit of present and future generations.

1.8.1 INITIAL RECOGNITION

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the cost or fair value can be measured reliably.

If the Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset shall be disclosed in the notes to the financial statements.

The municipality uses judgement to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

1.8.2 INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total

1.8.3 SUBSEQUENT MEASUREMENT - COST MODEL

Heritage assets are measured using the cost model which is cost less accumulated impairment losses subsequent to initial recognition. Heritage assets are not depreciated due to its nature, however the municipality assesses at each reporting date whether there are indications of impairment and, if any, impairment exists, the Municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

Transfers from heritage assets is made when a particular asset no longer meets the definition of a heritage asset and transfers to heritage assets is made when the asset meets the definition of a heritage asset.

1.8.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in the Statement of Financial Performance when the heritage asset is derecognised.

1.9 NON-CURRENT ASSETS HELD FOR SALE

1.9.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Properties assets are identified as held for sale following a Council resolution to dispose of such properties that are no longer required for municipal purposes and the sale should be expected to qualify for recognition as a complete sale within one year from the date of classification. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Auditor General South Africa
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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.9 NON-CURRENT ASSETS HELD FOR SALE (cont.)

1.9.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 INVENTORIES

1.10.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.10.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.11 FINANCIAL INSTRUMENTS

1.11.1 INITIAL RECOGNITION

The municipality recognises a financial asset or a financial liability in the Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

The municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument.

1.11.2 FINANCIAL ASSETS

The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

• **Financial assets at fair value**

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

• **Financial assets at amortised cost**

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

• **Financial assets at cost**

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment.

• **Impairment of Financial Assets**

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred.

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the municipality loses control of contractual rights such that the municipality no longer retain significant risks and rewards associated with ownership

• **Accounts Receivables**

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking in to consideration past default experiences. Interest is charged on overdue amounts.

1.11 FINANCIAL INSTRUMENTS (cont.)

Auditor General South Africa
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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

• **Cash and Cash Equivalents**

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

1.11.3 FINANCIAL LIABILITIES

After initial recognition, the municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

1.11.4 GAINS AND LOSSES

The municipality recognises gains or losses arising from a change in the fair value of financial instruments measured at fair value in surplus or deficit. For financial instruments measured at amortised cost or financial instruments measured at cost, gains or losses are recognised in surplus or deficit when the financial assets or financial liabilities are derecognised or impaired, or through, the amortisation process.

1.12 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also be a present obligation that is not recognised because the outflow of economic benefits or service potential is not probable or a real present obligation that may not be recognised either because the timing or measurement is not known.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

1.13 LEASES

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.14 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

• **Service charges**

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

• **Sale of goods**

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

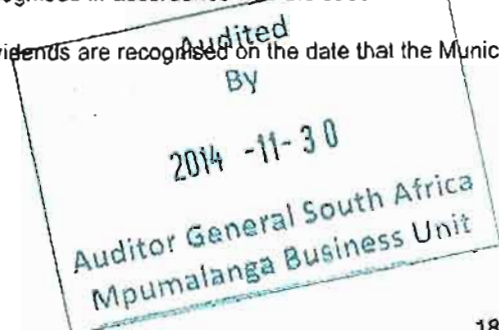
Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

• **Interest, royalties and dividends**

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset:

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.14 REVENUE (cont.)

• **Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

1.14.2.1 TAXES

Taxes are economic benefits or service potential compulsory paid or payable to the municipality, in accordance with the laws and or regulations, established to provide revenue to the municipality. Taxes do not include fines or other penalties imposed for breaches of the law.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met

• **Property Rates**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue.

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

1.14.2.2 TRANSFERS

Transfers are inflows of future economic benefits or service potential from non-exchange transactions other than taxes

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

• **Government Grants and Donations**

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. ~~Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.~~

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.14 REVENUE (cont.)

• **Fines**

Fines are economic benefits or service potential received or receivable by the municipality from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws and regulations.

Fines constitute notices of intended prosecution- section 341 spot fines) and written notices (summonses- section 56).

Initial recognition and measurement

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition of an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous three financial years.

• **Other**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Collection charges are recognised when such amounts are legally enforceable. Penally interest on unpaid rates is recognised on a time proportionate basis.

1.15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.16 EMPLOYEE BENEFITS

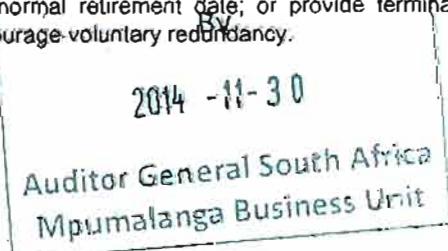
1.16.1. SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

1.16.2. TERMINATION BENEFITS

Termination benefits are recognised when actions have been taken to indicate that the Municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.16 EMPLOYEE BENEFITS (cont.)

1.16.3. POST-EMPLOYMENT BENEFITS

The Municipality provides post employment benefits for its employees and councillors. These benefits are provided as either defined contribution plans or defined benefit plans.

• **Defined contribution plans**

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable (i.e. when employees and councillors have rendered the employment service or served office entitling them to the contributions). This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

• **Defined benefit plans**

Pursuant to the municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the municipality recognises as defined benefit asset. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the municipality nor can they be paid directly to the municipality.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Plan assets included in the defined benefit plan asset or liability recognised is measured at their fair values. Fair value is based on market price information and in the case of quoted securities is the published bid price. The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur or/ arise.

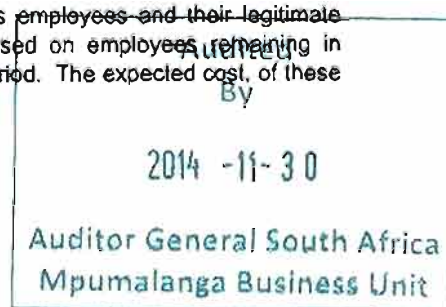
Past service cost is recognised as an expense in the reporting period in which the plan is amended. Past service cost arises when the municipality introduces a defined benefit plan that attributes benefits to past service or or changes the benefits payable for past service under an existing defined benefit plan. Negative past service costs arises. Negative past service cost arises when the municipality changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases.

Where the municipality reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended.

Where the municipality reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees, the municipality treats the change as a single net change.

• **Post employment medical care benefits**

The Municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.17 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 VALUE ADDED TAX (VAT)

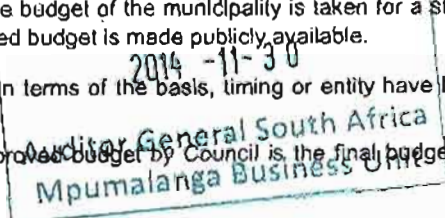
The Municipality accounts for Value Added Tax on the payments basis

1.22 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.23 IMPAIRMENT OF CASH- GENERATING AND NON-CASH GENERATING ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets and assets held primarily for service delivery purposes as non- cash generating assets.

Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount or recoverable service amount.

The municipality assesses at each reporting date whether there is any indication that cash and non-cash generating assets may be impaired. If any such indication exists, the recoverable amount or recoverable service amount of the asset is determined in order to establish the extent of impairment loss (if any).

Intangible assets with an indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing its carrying amount with its recoverable amount or recoverable service amount. This impairment test is performed annually at the same time every period and when there is an indication for impairment.

Where it is not possible to estimate the recoverable amount of an individual cash generating asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Cash generating units shall be identified consistently from period to period for the same asset or types of assets, unless the change is justified.

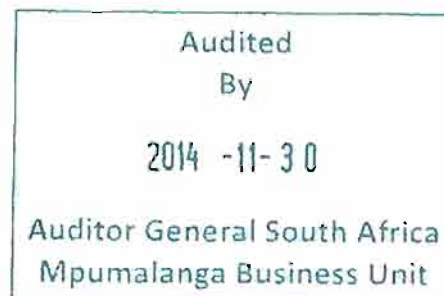
The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

The recoverable service amount of a non-cash-generating asset is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the remaining service potential of the asset and is determined using the most appropriate approach of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used is a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows has not been adjusted.

If the recoverable amount or recoverable service amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. An impairment loss is recognised immediately in surplus or deficit to the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in surplus or deficit to the Statement of Financial Performance. Any increase of value due to a revalued asset is treated as a revaluation increase except when it relates to previously recognised impairments.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.24 RELATED PARTIES

The municipality has processes and controls in place to aid in the identification of related parties. Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party or vice versa.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with governance of the municipality in accordance with the legislation, in instances where they are required to perform such functions.

Management is regarded as a related party and comprises councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, Chief Operations Officer and General Managers.

Close members of family of a person are considered to be those family members who may be expected to influence or be influenced by that management in their dealings with the municipality. As a minimum, a person is considered to be a close member of the family of another person if they:

- Are married or live together in a relationship similar to a marriage, or separated by no more than two degrees of natural or legal consanguinity or affinity

Related party transactions are disclosed in the notes to the annual financial statements. Related party transactions where control exists shall be disclosed irrespective of whether there have been transactions between the related parties.

1.25 GRANT IN AID

The municipality transfers funds to individuals, organisations, societies and other sectors of government from time to time in accordance with the local government prescripts.

When the transfers are made, the municipality does not:

- receive any goods or services directly in return, as would be expected in an acquisition or sale
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

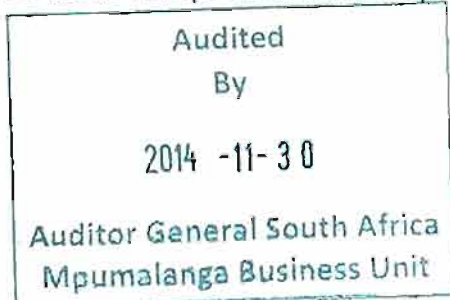
The transfers are recognised in the Statement of Financial Performance as expenses in the period that the event giving rise to the transfer occurred.

1.26 CHANGES IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES AND CORRECTION OF ERROR

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the error. In such instances the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.27 EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjust the amounts recognised in the financial statements to reflect the adjusting events after the reporting date.

The municipality does not adjust the amounts recognised in the annual financial statements to reflect non-adjusting events after the reporting date. If the municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information.

1.28 CAPITAL COMMITMENTS

Capital commitments disclosed in the notes to the annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the specific reporting period.

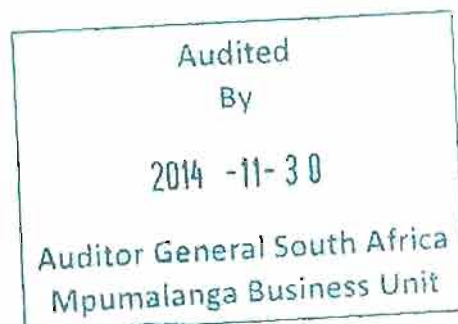
1.29 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2 INVENTORIES

	2014	Restated 2013
	R	R
Opening balance of inventories:	20,144,197	19,477,412
Consumable stores - at cost	1,950,552	1,650,526
Maintenance materials - at cost	10,486,254	9,754,685
Spare parts - cost	7,601,818	7,746,704
Medicine- at current replacement cost	-	233,179
Water - cost	105,573	92,318
Additions:	108,402,070	54,678,661
Consumable stores	6,597,335	6,286,215
Maintenance materials	22,089,423	19,687,862
Spare parts	10,924,378	5,429,195
Medicine	-	-
Water	68,790,934	23,276,389
Issued (expensed):	107,976,262	54,012,676
Consumable stores	6,246,896	5,986,189
Maintenance materials	26,719,553	18,956,293
Spare parts	6,240,890	5,574,081
Medicine	-	233,179
Water	68,768,923	23,263,134
Closing balance of inventories:	20,570,005	20,144,197
Consumable stores - at cost	2,300,991	1,950,552
Maintenance materials - at cost	5,856,124	10,486,254
Spare parts - cost	12,285,306	7,601,818
Water - cost	127,584	105,573

3 TRADE AND OTHER RECEIVABLES

	Gross balances R	Allowance for debt impairment R	Net balance R
Trade receivables from exchange transactions as at 30 June 2014			
Electricity	91,130,472	13,954,313	77,176,158
Water	19,276,675	13,239,930	6,036,745
Sewerage	7,489,074	5,198,586	2,290,488
Refuse	44,093,785	34,066,355	10,027,430
Total trade receivables	161,990,005	66,459,184	95,530,821
Other	24,200,170	13,520,076	10,680,094
Total Trade and other receivables from exchange transactions	186,190,175	79,979,260	106,210,915

Trade receivables from non-exchange transactions as at 30 June 2014

Rates	104,657,481	87,633,397	17,024,084
Interest on arrears	50,177,511	49,116,164	1,061,347

Trade and other receivables from non-exchange transactions

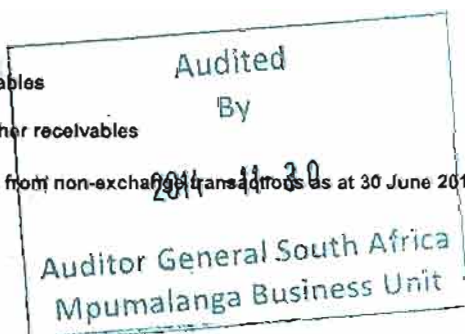
154,834,992	136,749,561	18,085,432
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Trade receivables from exchange transactions as at 30 June 2013

	Gross balances	Allowance for debt impairment	Net balance
Electricity	82,188,534	17,174,151	65,014,383
Water	26,826,828	20,391,825	6,235,003
Sewerage	11,271,140	8,811,357	2,459,784
Refuse	68,354,451	56,208,944	12,145,507
Total trade receivables	188,440,954	102,586,277	85,854,677
Other	36,883,737	31,724,724	5,159,014
Total trade and other receivables	225,324,691	134,311,001	91,013,690

Trade receivables from non-exchange transactions as at 30 June 2013

Rates	141,945,565	122,043,134	19,902,431
Interest	90,437,340	89,876,784	560,556
	232,382,905	211,919,918	20,462,987

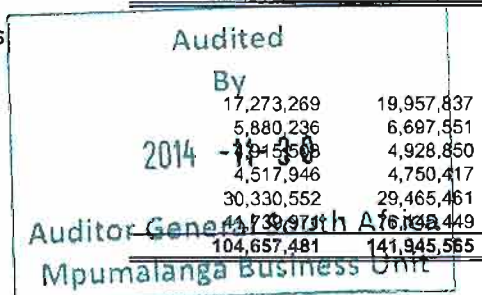


MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
3 TRADE AND OTHER RECEIVABLES (cont.)		
AGEING OF TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity: Ageing		
Current (0 – 30 days)	70,865,693	35,023,793
31 - 60 Days	4,328,433	3,476,236
61 - 90 Days	3,372,211	1,958,310
91 - 120 Days	1,549,811	1,324,420
121 - 365 Days	5,485,202	8,566,371
+365 Days	5,529,122	6,661,324
Total	91,130,472	57,010,454
Water: Ageing		
Current (0 – 30 days)	3,466,607	1,832,225
31 - 60 Days	742,825	763,302
61 - 90 Days	1,434,795	800,078
91 - 120 Days	775,588	927,216
121 - 365 Days	3,562,885	3,682,558
+365 Days	9,293,974	17,493,462
Total	19,276,675	25,478,841
Sewerage: Ageing		
Current (0 – 30 days)	1,160,992	1,123,920
31 - 60 Days	364,130	324,632
61 - 90 Days	713,352	454,812
91 - 120 Days	326,078	247,182
121 - 365 Days	1,573,724	1,442,207
+365 Days	3,350,799	7,678,387
Total	7,489,074	11,271,140
Refuse: Ageing		
Current (0 – 30 days)	4,617,056	4,207,506
31 - 60 Days	2,141,064	1,822,615
61 - 90 Days	1,918,237	1,273,236
91 - 120 Days	1,691,799	1,224,282
121 - 365 Days	11,410,388	8,646,489
+365 Days	22,315,241	51,180,323
Total	44,093,785	68,354,451
Other: Ageing		
Current (0 – 30 days)	3,730,594	3,056,429
31 - 60 Days	911,539	562,156
61 - 90 Days	1,403,061	229,165
91 - 120 Days	333,276	264,952
121 - 365 Days	1,477,132	3,622,887
+365 Days	16,344,568	29,148,148
Total	24,200,170	36,883,737
Total ageing from exchange transactions		
Current (0 – 30 days)	83,840,942	45,243,873
31 - 60 Days	8,487,991	6,948,940
61 - 90 Days	8,841,656	4,715,601
91 - 120 Days	4,678,553	3,988,052
121 - 365 Days	23,509,330	25,940,513
+365 Days	56,833,703	112,161,643
Total	186,190,175	198,998,623

AGEING OF TRADE RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS

Rates: Ageing		
Current (0 – 30 days)	17,273,269	19,957,837
31 - 60 Days	5,880,236	6,697,551
61 - 90 Days	1,941,568	4,928,850
91 - 120 Days	4,517,946	4,750,417
121 - 365 Days	30,330,552	29,465,461
+365 Days	44,739,971	46,108,449
Total	104,657,481	141,945,565



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
3 TRADE AND OTHER RECEIVABLES (cont.)		
Interest: Ageing		
Current (0 – 30 days)	2090801.20	1,940,764
31 - 60 Days	2016872.37	1,861,377
61 - 90 Days	1974691.69	1,796,675
91 - 120 Days	1893414.01	1,740,345
121 - 365 Days	13291034.48	12,231,204
+365 Days	28910697.12	71,282,709
Total	50,177,511	90,863,074

Total ageing from non exchange transactions

Current (0 – 30 days)	19,364,070	21,898,601
31 - 60 Days	7,897,109	8,558,928
61 - 90 Days	6,890,199	6,725,525
91 - 120 Days	5,411,360	6,490,762
121 - 365 Days	43,621,586	41,696,666
+365 Days	70,650,668	147,438,158
Total	154,834,892	232,808,639

Summary of Receivables by customer classification

	Residential	Industrial / Commercial	Government
	R	R	R
30 June 2014			
Current (0 – 30 days)	81,139,510	26,814,907	3,885,501
31 - 60 Days	10,236,199	4,408,288	1,740,621
61 - 90 Days	8,175,133	4,673,353	2,883,378
91 - 120 Days	7,747,091	2,416,481	924,349
121 - 365 Days	50,717,279	13,603,650	2,810,689
+365 Days	82,236,868	27,909,219	3,898,711
Total receivables by customer classification	240,252,080	79,825,899	16,143,249

	Residential	Industrial / Commercial	Government
30 June 2013			
Current (0 – 30 days)	32,546,615	30,883,124	3,712,738
31 - 60 Days	10,491,363	4,093,020	923,486
61 - 90 Days	7,689,477	2,659,602	1,092,047
91 - 120 Days	7,282,489	2,094,697	1,101,629
121 - 365 Days	50,920,887	12,727,623	3,988,669
+365 Days	209,006,709	47,930,479	2,662,614
Total receivables by customer classification	317,937,540	100,388,544	13,481,179

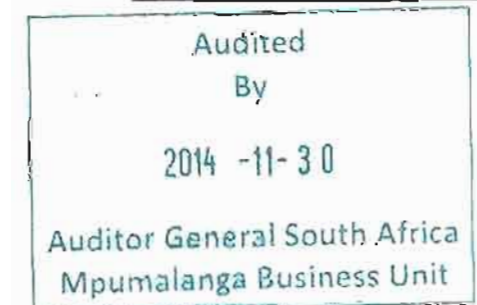
Reconciliation of the Impairment allowance

Balance at beginning of the year	346,230,919	315,285,414
Contributions to provision	37,337,191	70,537,405
Impaired debtors written off against provision	(166,839,289)	(39,591,900)
Balance at end of year	216,728,821	346,230,919



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
4 OTHER RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS		
Financial	32,532,811	38,125,430
Conditional grants	1,598,342	26,169,545
Deposits	981,447	414,123
Interest received	1,390	1,390
Insurance claim	22,681,044	-
Sundry debtors	5,490,530	5,496,931
Mbombela Stadium Management	179,934	2,691,538
Other	1,600,123	1,351,903
Traffic Fines		
Balance at the beginning of the year	53,071,483	40,134,634
Fines issued	14,892,487	16,125,850
Less: Received	(2,546,329)	(3,189,001)
Balance at end of year	65,417,641	53,071,483
Reconciliation of impairment allowance		
Balance at the beginning of the year	50,737,059	40,134,634
Contributions to allowance	11,201,587	10,802,425
Impaired debtors written off against allowance	-	-
Balance at end of year	61,938,646	50,737,059
Net Traffic fines receivables	3,478,985	2,334,424
Total Other receivables from non- exchange transactions	36,011,806	38,459,854
5 VAT (PAYABLE) / RECEIVABLE		
VAT (payable) / receivable	2,631,868	(5,908,813)
VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from receivables.		
6 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	95,285,271	15,897,105
Operating account	787,947	10,158,257
Cash on hand	58,885	53,885
	96,112,103	26,109,047
Shown on the Statement of Financial Position as: -		
Cash and cash equivalents	96,112,103	26,109,047
Bank overdrafts (cash book balance)	-	(6,550,920)
	96,112,103	19,558,127
The municipality has the following bank accounts: -		
Current Account (Primary Bank Account)		
Bank: ABSA Nelspruit		
Account Number: 40-5321-5785		
Cash book balance at beginning of year	(6,550,920)	30,451,508
Cash book balance at end of year	8,247,939	(6,550,920)
Bank statement balance at beginning of year	14,990,721	30,309,220
Bank statement balance at end of year	34,855,894	14,990,721



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
6 CASH AND CASH EQUIVALENTS (cont.)		
Spiral Plan		
Bank: ABSA Nelspruit		
Account Number: 90-6703-3765		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	4,467	4,443
Bank statement balance at end of year	4,472	4,467
Saving Account		
Bank: ABSA Nelspruit		
Account Number: 90-6916-6741		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	973	1,086
Bank statement balance at end of year	974	973
Call Account (Water Deposits)		
Bank: ABSA Nelspruit		
Account Number: 90-6983-8617		
Cash book balance at beginning of year	557,829	557,271
Cash book balance at end of year	558,965	557,829
Bank statement balance at beginning of year	557,829	557,271
Bank statement balance at end of year	558,965	557,829
Call Account (Grant Funding)		
Bank: ABSA Nelspruit		
Account Number: 90-6983-9003		
Cash book balance at beginning of year	88,528	88,440
Cash book balance at end of year	88,708	88,528
Bank statement balance at beginning of year	88,528	88,440
Bank statement balance at end of year	88,708	88,528
Call Account (Service Contribution)		
Bank: ABSA Nelspruit		
Account Number: 90-7568-1173		
Cash book balance at beginning of year	3,816,989	3,096,923
Cash book balance at end of year	3,182,107	3,816,989
Bank statement balance at beginning of year	1,833,006	2,200,184
Bank statement balance at end of year	1,218,409	1,833,006
Call Account (Taxi Disaster)		
Bank: ABSA Nelspruit		
Account Number: 91-2727-3547		
Cash book balance at beginning of year	27,109	26,981
Cash book balance at end of year	27,268	27,109
Bank statement balance at beginning of year	27,109	24,133
Bank statement balance at end of year	27,268	27,109



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
6 CASH AND CASH EQUIVALENTS (cont.)		
Call Account (Grants)		
Bank: ABSA Nelspruit		
Account Number: 40-8341-7222		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	8,404,185	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	8,183,377	-
Fixed Deposit (Grants)		
Bank: Nedbank Capital		
Account Number: 03/7881030909/000007		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	50,000,000	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	50,000,000	-
Call Account (2010 Soccer World Cup)		
Bank: ABSA Nelspruit		
Account Number: 40-6774-2380		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Mbombela Mayoral Fund		
Bank: ABSA Nelspruit		
Account Number: 40-788-9377		
Cash book balance at beginning of year	254,879	-
Cash book balance at end of year	255,043	254,879
Bank statement balance at beginning of year	254,879	-
Bank statement balance at end of year	255,043	254,879
Call Account (Mbombela 2010 Host City)		
Bank: ABSA Nelspruit		
Account Number: 40-7502-7970		
Cash book balance at beginning of year	5,085	4,911
Cash book balance at end of year	5,273	5,085
Bank statement balance at beginning of year	5,085	4,911
Bank statement balance at end of year	5,273	5,085
Call Account (Mbombela 2010 Fan Park Operator)		
Bank: ABSA Nelspruit		
Account Number: 40-7611-2661		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

Audited	1,093	1,055
By	1,141	1,093
2014-11-30	1,093	1,055
2014-11-30	1,141	1,093
Auditor General South Africa Mpumalanga Business Unit		

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
6 CASH AND CASH EQUIVALENTS (cont.)		
Cheque Account (White River Disaster Fund)		
Bank: ABSA Nelspruit		
Account Number: 40-5141-9472		
Cash book balance at beginning of year	22,816	22,816
Cash book balance at end of year	<u>26,535</u>	<u>22,816</u>
Bank statement balance at beginning of year	25,886	25,830
Bank statement balance at end of year	<u>26,535</u>	<u>25,986</u>
Cheque Account (Mbombela Conditional Grants)		
Bank: ABSA Nelspruit		
Account Number: 40-7804-8048		
Cash book balance at beginning of year	52,106	50,038
Cash book balance at end of year	<u>54,325</u>	<u>52,106</u>
Bank statement balance at beginning of year	52,106	50,038
Bank statement balance at end of year	<u>54,325</u>	<u>52,106</u>
Call Account (Lottery Distribution Trust Fund Mbombela)		
Bank: ABSA Nelspruit		
Account Number: 40-6858-1426		
Cash book balance at beginning of year	55,935	1,169,830
Cash book balance at end of year	<u>57,075</u>	<u>55,935</u>
Bank statement balance at beginning of year	55,935	1,169,830
Bank statement balance at end of year	<u>57,075</u>	<u>55,935</u>
Cheque Account (Stadsraad van NST)		
Bank: ABSA Nelspruit		
Account Number: 10-7000-0209		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>-</u>
Cheque Account		
Bank: ABSA, Prime Link Account		
Account Number: 40-6653-7243		
Cash book balance at beginning of year	10,158,257	270,801
Cash book balance at end of year	<u>767,947</u>	<u>10,158,257</u>
Bank statement balance at beginning of year	10,158,255	270,801
Bank statement balance at end of year	<u>767,945</u>	<u>10,158,255</u>

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
6 CASH AND CASH EQUIVALENTS (cont.)		
Fixed Deposit		
Bank: ABSA Nelspruit		
Account Number: 20-7075-3384		
Cash book balance at beginning of the year	11,014,737	567,963
Cash book balance at end of year	<u>-</u>	<u>11,014,737</u>
Bank statement balance at beginning of year	11,014,737	567,777
Bank statement balance at end of year	<u>-</u>	<u>11,014,737</u>
The fixed deposit account number 20-7075-3384, was closed during the reporting period.		
Bank: ABSA Nelspruit		
Account Number: 20-7400-3363		
Cash book balance at beginning of the year	-	-
Cash book balance at end of year	<u>24,376,706</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>24,376,706</u>	<u>-</u>
A fixed deposit amounting to R23 750 410.96 has been invested with ABSA as collateral for a loan of R200 000 000 at Development Bank of Southern Africa (DBSA)		
Petty Cash	58,885	53,685
Total cash on hand	<u>58,885</u>	<u>53,685</u>

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7 PROPERTY, PLANT AND EQUIPMENT

**Reconciliation of Carrying Value
30 June 2014**

	Buildings	Land	Infrastructure	Community	Leased Assets	Other Assets	Total
	R		R	R	R	R	R
Carrying values at beginning of the year	122,655,439	476,757,235	3,270,558,879	1,139,535,408	-	121,513,639	5,131,020,659
Cost	181,899,063	476,757,235	4,468,269,002	1,376,203,582	444,086	236,895,451	6,729,468,421
Accumulated depreciation and impairment losses	(59,243,626)	-	(1,187,710,123)	(236,668,174)	(444,086)	(114,381,752)	(1,598,447,761)
Movements during the year:							
Depreciation	18,890,997	51,200	193,051,602	14,318,781	-	9,733,399	236,055,979
Acquisitions	705,003	51,200	53,640,844	5,938,771	-	9,725,299	70,081,148
Capital under Construction	18,185,864	-	139,420,758	8,380,010	-	8,100	165,994,831
Disposals	(5,848,220)	-	(120,700,102)	(70,340,285)	-	(18,508,658)	(215,398,267)
Impairment loss	-	-	-	(73,258)	-	-	(73,258)
Change in accounting estimate	1,695,560	-	-	-	-	-	1,695,560
Reclassified to investment properties	-	(66,930)	-	-	-	-	(66,930)
Carrying value of disposals	-	132,090	-	-	-	1,741,344	1,873,434
Cost	-	132,090	-	-	-	9,161,000	9,293,090
Accumulated depreciation and impairment losses	-	-	-	-	-	(7,409,656)	(7,409,656)
Carrying values at the end of the year	137,392,773	476,609,415	3,349,328,358	1,083,448,647	-	110,996,096	6,161,359,288
Cost	202,455,622	476,609,415	4,661,330,603	1,390,522,363	444,086	236,477,650	6,957,895,939
Accumulated depreciation and impairment losses	(65,062,848)	-	(1,308,410,246)	(307,081,716)	(444,086)	(125,481,754)	(1,806,510,651)

**Reconciliation of Carrying Value
30 June 2013**

	Buildings	Land	Infrastructure	Community	Leased Assets	Other Assets	Total
	R		R	R	R	R	R
Carrying values at beginning of the year	121,826,277	476,757,235	3,282,169,944	1,198,496,904	61,678	133,379,431	5,132,694,469
Cost	228,973,607	476,893,225	4,700,601,217	1,560,075,927	444,096	230,235,568	6,557,273,650
Correction of an error cost	(53,752,329)	(135,990)	(8,938,788)	-	-	-	(62,827,104)
Correction of an error accumulated depreciation and impairments	956,068	-	-	-	-	-	956,068
Accumulated depreciation and impairment losses	(54,350,472)	-	(1,049,602,486)	(161,676,024)	(392,408)	(36,906,157)	(1,392,717,546)
Movements during the year:							
Depreciation	6,678,384	-	287,377,410	16,127,655	-	7,631,246	237,814,694
Acquisitions	882,267	-	2,497,625	2,875,843	-	6,737,256	12,792,980
Capital under Construction	5,796,127	-	204,879,785	13,451,613	-	893,890	225,021,714
Disposals	(8,335,692)	-	(138,639,448)	(75,092,150)	(61,678)	(18,520,123)	(238,649,089)
Correction of an error depreciation and impairments	486,470	-	-	-	-	-	486,470
Carrying value of disposals	-	-	339,029	-	-	978,354	1,317,384
Cost	-	-	770,837	-	-	2,021,382	2,792,219
Accumulated depreciation and impairment losses	-	-	(431,808)	-	-	(1,044,027)	(1,476,335)
Carrying values at the end of the year	122,655,438	476,757,235	3,270,558,879	1,139,535,408	-	121,613,639	5,131,020,659
Cost	181,899,063	476,757,235	4,468,269,002	1,376,203,582	444,086	236,895,451	6,729,468,421
Accumulated depreciation and impairment losses	(59,243,626)	-	(1,187,710,123)	(236,668,174)	(444,086)	(114,381,752)	(1,598,447,761)

Refer to Appendix B for more details on property, plant and equipment

A register containing the information as required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No property, plant and equipment were pledged as security for liabilities.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8 INTANGIBLE ASSETS

Reconciliation of carrying value 30 June 2014	Computer Software R	Servitudes R	Total R
Carrying values at beginning of the year	1,103,069	4,590,568	5,693,637
Cost	5,770,933	4,590,568	10,361,501
Accumulated amortisation and impairment losses	(4,667,864)	-	(4,667,864)
Under construction	-	-	-
Acquisitions	-	-	-
Amortisation	(222,137)	-	(222,137)
Carrying values at the end of the year	880,932	4,590,568	5,471,500
Cost	5,770,933	4,590,568	10,361,501
Accumulated amortisation and impairment losses	(4,890,001)	-	(4,890,001)
Reconciliation of carrying value 30 June 2013	Computer Software R	Servitudes R	Total R
Carrying values at beginning of the year	1,390,984	4,590,568	5,981,552
Cost	5,770,933	4,590,568	10,361,501
Accumulated amortisation and impairment losses	(4,379,949)	-	(4,379,949)
Under construction	-	-	-
Acquisitions	-	-	-
Amortisation	(287,915)	-	(287,915)
Carrying values at the end of the year	1,103,069	4,590,568	5,693,637
Cost	5,770,933	4,590,568	10,361,501
Accumulated amortisation and impairment losses	(4,667,864)	-	(4,667,864)

A register containing the information as required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No intangible assets were pledged as security for liabilities.

9 INVESTMENT PROPERTIES

	2014 R	Restated 2013 R
Reconciliation of carrying value		
Carrying values at beginning of the year	336,360,740	338,711,930
Cost	348,213,238	350,977,357
Correction of prior year cost	-	(2,764,119)
Correction of prior year accumulated depreciation	-	185,963
Accumulated depreciation and impairment losses	(11,852,498)	(9,667,271)
Depreciation	(2,260,143)	(2,351,190)
Reclassification from Property, plant and equipment	66,930	-
Disposal	-	-
Cost	-	-
Accumulated depreciation	-	-
Carrying values at the end of the year	334,167,626	336,360,740
Cost	348,280,168	348,213,238
Accumulated depreciation and impairment losses	(14,112,642)	(11,852,498)

A register containing the information required as by section 63 of the MFMA is available for inspection at the registered office of the municipality. No investment properties were pledged as security for liabilities.

Audited

2014-11-30

General South Africa
Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
10 NON - CURRENT RECEIVABLES		
Housing selling scheme loans	3,770,983	4,495,535
Impairment (refer below)	(3,298,144)	(4,004,797)
Current Portion	(38,480)	(17,729)
Total Non - Current Receivables	434,358	473,009
 Reconciliation of Impairment allowance		
Balance at beginning of year	(4,004,797)	(3,943,705)
Contribution during the year	706,653	(61,092)
Balance at end of year	(3,298,144)	(4,004,797)

11 INVESTMENTS

Held to maturity Investments

Fixed deposits	14,383,987	13,696,409
Less Fixed term portion	-	-
Total Held to Maturity Investments	14,383,987	13,696,409

A call deposit amounting to R10 172 444 has been invested with Nedbank Bank as security for a loan of R22 000 000 at DBSA

12 BORROWINGS

Local Registered Stock Loans	-	3,000
Annuity Loans	241,085,596	203,684,399
	241,085,596	203,687,399
 Less : Current portion transferred to current liabilities	16,016,973	14,259,575
Local Registered Stock Loans	-	3,000
Annuity Loans	16,016,973	14,258,676
Total Non-Current borrowings	225,068,623	189,427,824

Certain investments have been pledged as security for borrowings as indicated in note 11.
The loans are disclosed as follows:

Institution	Initial date	Redeemable date	Principal amount	Interest rate	Balance
DBSA	1998	2018	21,600,000	10.74%	2,925,781
DBSA	1998	2018	22,000,000	15.50%	8,314,724
DBSA	1998	2018	138,600,000	12.62%	48,728,995
DBSA	2010	2030	200,000,000	12.62%	167,028,584
Standard Bank / Inca	2005	2020	25,000,000	10.50%	14,084,532
					241,082,596

13 CONSUMER DEPOSITS

CURRENT

Electricity and Water	22,262,338	19,817,740
Total consumer deposits	22,262,338	19,817,740

Guarantees held in lieu of Electricity and Water Deposits

922,239	907,939
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14 OTHER FINANCIAL LIABILITIES

Consumer debt - VAT Liability	-	24,119,371
Service contributions: Water	1,110,268	905,914
Service contributions: Sewerage	-	548,926
Deposits in lieu of services	1,323,414	1,018,481
Amounts paid in advance	26,598,420	22,583,973
Other	10,609,334	10,145,674
Total Other Liabilities	39,641,635	59,328,339

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 By
 2014 -11-30
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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
15 PROVISIONS		
Provision for rehabilitation of landfill sites	91,039,986	83,484,449
Total Provisions	91,039,986	83,484,449

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. The landfill sites are rehabilitated at the end of each useful life. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental specialist.

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover and has been determined by an actuary.

Financial Assumptions used for the provision of landfill sites rehabilitation

The financial assumptions used for the landfill site closure costing model at 30 June were as follows:

Adjustments of unit costs	7.53%	5.79%
Consumer price index (CPI) - Three months average	6.27%	5.77%
Discount rate:		
Tekwane Landfill site	8.52%	8.02%
Nelspruit, Mbonisweni and Hazyview landfill sites	7.27%	6.77%

Net effective discount rate (Inflation linked bond rates) above

Consumer Price Index (CPI)		
Tekwane Landfill site	2.25%	2.25%
Nelspruit, Mbonisweni and Hazyview landfill sites	1.00%	1.00%

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	83,484,449	81,136,147
Increase in asset/liabilities due to change in accounting estimate	1,695,560	-
Fair value adjustment on provisions	5,564,331	1,780,264
Increase in provision due to discounting	295,646	588,018
Balance at the end of year	91,039,986	83,484,449

Disclosed in the Statement of Financial Position as follows:

Non-current portion	86,401,074	77,622,531
Current portion	4,638,912	5,861,918
Total landfill site rehabilitation provision	91,039,986	83,484,449

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Government Grants-Capital	288,825,293	127,548,147
Municipal Infrastructure Grant (MIG)	234,240,132	123,048,282
Municipal Water Services Grant (DWS)	4,359,601	2,169,542
Municipal Water Infrastructure Grant (MWIG)	4,732,299	-
Integrated National Electrification Programme Grant (INEP)	4,316,085	-
Public Transport Infrastructure Grant (PTIG)	41,177,177	-
Electricity Demand Side Management Grant (EDSM)	-	2,186,000
Expanded Public Works Programme Grant (EPWP)	(0)	144,323

Unspent Conditional Government Grants-Operating

Finance Management Grant (FMG)	1,979,958	1,353,523
Municipal Systems Improvement Grant (MSIG)	90,547	16,718
Provincial Grants	197,341	-
Disaster Relief Grant	27,270	27,110
	1,058,800	1,309,695

Total Unspent Conditional Government Grants and Receipts

Other unspent conditional grants	290,199,251	128,901,670
National Lottery Grant	4,856,289	9,619,036
	1,866,289	9,619,036

Total unspent conditional government grants and public contributions

Refer to note 23 Grants and subsidies for the reconciliation per grant received

295,055,540 138,520,706

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
17 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	151,332,653	190,458,815
Eskom	134,083,127	73,839,783
Department of Water and Sanitation (DWS)	28,267,065	30,596,372
Retentions	27,965,892	27,345,051
Accrued staff leave	29,399,654	27,876,954
Accrued bonuses	8,399,432	8,925,338
Motor vehicle licenses province	49,245,885	34,042,108
Other payables	4,467,962	5,809,609
Salaries: Employee related costs, deductions and social contributions	19,773,593	15,754,429
Salaries: South African Revenue Services	5,785,016	4,598,640
Total creditors	459,720,278	419,344,898

The fair value of trade and other payables approximates their carrying amounts.

18 DEFERRED REVENUE

Delta EMD : Opening Balance	2,820,523	5,415,727
Revenue recognised	(1,372,402)	(2,595,204)
Total deferred revenue	1,448,121	2,820,523

This was an advance payment by Delta EMD (Pty) Ltd for the construction of a landfill site. Delta EMD (Pty) Ltd receives preferential usage of the landfill site and the revenue recognised is the amount billed for the utilisation of the landfill site. This net balance amount is therefore treated as deferred revenue.

19 EMPLOYEE BENEFIT OBLIGATIONS

19.1 POST RETIREMENT HEALTH CARE EMPLOYEE BENEFITS

The municipality provides certain post-retirement health care benefits to staff. These health care benefits are unfunded. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement subject to a maximum rand cap of R3,558 (respective of marital status).

19.1.1 Medical Aid Benefits Expense

Current service cost	7,457,202	11,685,912
Interest cost	10,670,766	13,321,495
Actuarial (gain)/ losses	7,725,980	(64,938,870)
Actual post-retirement health care benefits payments	(2,257,882)	(2,173,661)
Net post retirement health care benefit expense	23,596,066	(42,105,124)

The Medical Aid Benefit expense is included in employee remuneration.

19.1.2 Assumptions for actuarial valuation

The assumptions made for the actuarial valuation as at 30 June 2014 were as follows: -

Expected medical aid benefit increases	8.68% p.a	7.63% p.a
Discount rate	9.67% p.a	9.27% p.a
Salary Inflation	n/a	n/a
Expected retirement age (years)	65	65

A 1% percentage change in the assumed rate of increase of medical aid benefits would have the following effect:

	Decrease	Increase
	R	R
30 June 2014		
Health cost inflation effect on the current service cost	(2,153,715)	2,988,640
Health cost inflation effect on the defined benefit liability	(24,950,535)	33,046,849
Discount rate effect on the current service cost	2,988,963	(2,120,778)
Discount rate effect on the health care benefit liability	3,033,464	(24,546,276)
30 June 2013		
Health cost inflation effect on the current service cost	(1,778,139)	2,443,972
Health cost inflation effect on the defined benefit liability	(19,639,009)	25,785,191
Discount rate effect on the current service cost	2,427,061	(1,739,777)
Discount rate effect on the health care benefit liability	25,596,212	(19,215,665)

Audited
By
2014 -11-30
Auditor General South Africa
Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
19 EMPLOYEE BENEFIT OBLIGATIONS (cont.)		
19.1.3 Post-Employment Health Care Benefit Liability	2014	2013
Present value of defined obligation (refer 19.1.4 below)	132,963,695	109,367,629
Net Post-employment Health Care Benefit Liability	132,963,695	109,367,629

Disclosure of present value of defined benefit obligation for the previous four reported periods.

	2012	2011
Present value of defined obligation	151,472,753	127,571,000
Net Post-employment Health Care Benefit Liability	151,472,753	127,571,000
	2010	2009
Present value of defined obligation	93,911,000	81,597,000
Net Post-employment Health Care Benefit Liability	93,911,000	81,597,000

19.1.4 Changes in post-employment Health Care Benefits Liability

Changes in the present value of the defined benefit liability are as follows: -

Balance at beginning of the year	109,367,629	151,472,753
Current service cost	7,457,202	11,685,912
Interest cost	10,670,766	13,321,495
Actuarial (gain)/ loss	7,725,980	(84,938,870)
Actual post-retirement health care benefits payments	(2,257,882)	(2,173,551)
Balance at end of year	132,963,695	109,367,629

Classification of post-employment Health Care Benefits Liability

Non-current portion	130,482,003	107,088,568
Current portion	2,481,692	2,281,061
Total Post-employment Health Care Liability	132,963,695	109,367,629

19.2 Provision for long-service awards:

Balance at the beginning of year	37,580,080	30,626,220
Contributions to provision	3,977,444	3,472,979
Interest cost	3,087,452	2,543,142
Actuarial (gain) / loss	2,661,863	1,172,719
Expenditure Incurred	(2,700,650)	(224,980)
Balance at the end of year	44,616,189	37,590,080

Assumptions for actuarial valuation

The assumptions made for the actuarial valuation as at 30 June were as follows: -

Discount rate	8.46% p.a	7.73% p.a
Salary inflation	7.77% p.a	7.00% p.a

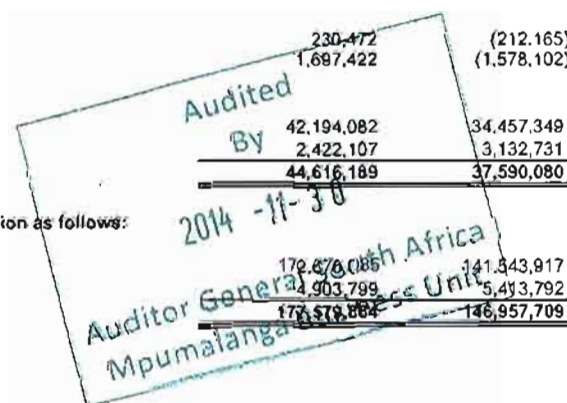
A 0.5 percentage change in the assumed rate of increase of long service awards would have the following effect:

	Decrease	Increase
30 June 2014		
Discount rate effect on the current service cost	280,930	(239,906)
Discount rate effect on the defined benefit liability	2,086,843	(1,936,735)
30 June 2013		
Discount rate effect on the current service cost	230,472	(212,165)
Discount rate effect on the defined benefit liability	1,697,422	(1,578,102)
Classification of Provision for long-service awards		
Non-current portion	42,194,082	34,457,349
Current portion	2,422,107	3,132,731
Total provision for long service awards	44,616,189	37,590,080

Employee benefit obligations disclosed in the statement of financial position as follows:

Non-current portion	170,670,085	141,343,917
Current portion	4,903,799	5,493,792
Total Employee benefit obligations	175,573,884	146,837,709

20 PROPERTY RATES



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
Actual		
Residential	110,128,338	109,775,382
Commercial	143,197,678	130,344,585
Agricultural	11,249,227	10,111,027
Government	21,806,971	19,944,561
Other	4,226,191	4,086,403
Total	290,608,404	274,261,958
Property rates - penalties imposed and collection charges	-	-
Total property rates	290,608,404	274,261,958
Valuations		
Residential	22,173,440,593	22,059,245,547
Commercial	10,456,526,633	10,420,552,629
Government	945,971,015	945,971,015
Municipal	2,263,343,200	2,258,282,523
Agriculture	5,981,903,584	6,025,783,579
Other	2,386,089,987	2,536,334,990
Total Property Valuations	44,207,275,012	44,246,170,283

Valuations on land and buildings are performed every four years. The last valuation compiled in accordance with the Municipal Property Rates Act, 2004 came into effect on 1 July 2009. Interim valuations are processed on a bi-annual basis to take into account changes in individual property values due to alterations. The next general valuation will come into effect on 1 July 2014.

A general rate of 0.7915 cent in a Rand (2013 : 0.7432) is applied to property valuations to determine property rates. Various rebates are granted to residential, business, agricultural and other properties and/or categories of owners in terms of the approved Property Rates By-Law. A compulsory phasing-in discount is applied on all newly rateable properties in terms of section 21 of the Municipal Property Rates Act, 2004. Rates are levied on a monthly basis on property owners. Interest at 9.5 % per annum (2013 :10%) is levied on outstanding rates.

21 SERVICE CHARGES

Sale of electricity	600,816,891	536,398,751
Refuse removal	65,065,595	59,029,266
Sale of water	27,481,996	24,666,699
Sewerage and sanitation charges	15,874,061	15,134,173
Total Service Charges	709,238,543	635,228,889

22 FINANCE INCOME

Outstanding consumer receivables	22,586,148	14,799,431
Cash and cash equivalent and investments	3,714,173	3,246,046
Other receivables	169,780	232,763
Interest - Other	15,027	-
Total Finance income	26,495,129	18,278,241

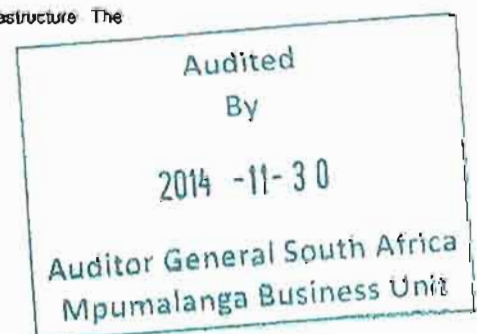
23 GOVERNMENT GRANTS AND SUBSIDIES

Capital Grants		
Municipal Infrastructure Grant (MIG)	101,071,863	106,072,831
Water Services Grant	6,131,527	7,557,013
Integrated National Electrification Programme Grant (INEP)	264,617	4,055,932
Public Transport Infrastructure Grant (PTIG)	52,758,786	43,604,499
National Lottery Grant	4,763,888	433,287
Electricity Demand Side Management (EDSM)	3,014,785	-
Disaster Relief Grant	69,717	726,398
Expanded Public Works Programme Grant (EPWP)	-	596,220
Neighbourhood Development Partnership Grant (NDPG)	-	909,654
Municipal Water Infrastructure Grant (MWIG)	2,568,159	-
2013 Africa Cup of Nations Grant (AFCON)	-	4,321,244
Total Government Grants and Subsidies (Capital)	170,643,340	168,277,079

By
2014 -11-30
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Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
23 GOVERNMENT GRANTS AND SUBSIDIES (Cont.)		
Operating Grants		
Equitable Share	342,190,000	312,298,000
Department of Housing Settlement Grant (DHS)	-	1,000,000
Municipal Systems Improvement Grant (MSIG)	692,658	1,040,992
Finance Management Grant (FMG)	1,476,171	1,560,692
Water Services Operating Subsidy Grant	-	3,009,000
Municipal Infrastructure Grant (Operating projects)	12,938,796	26,740,454
Public Transport Infrastructure Grant	-	7,536,986
Disaster Relief Grant	150,387	280,904
Expanded Public Works Programme Grant (EPWP)	1,839,323	2,129,987
2013 Africa Cup of Nations Grant (AFCON)	-	26,573,782
Total Government Grant and Subsidies (Operating)	359,287,315	382,170,797
Total Government grants and subsidies (Operating and Capital)	529,930,655	550,447,876
Equitable Share	342,190,000	312,298,000
This grant is unconditional and is partially utilised for the indigent support through free basic services.		
Department of Housing Settlement Grant (DHS)	-	1,000,000
This grant is unconditional and was used for human settlement operational expenses within the municipality		
Water Services Operating Subsidy Grant (DWS)	-	3,009,000
This grant is unconditional and was used for the operations and maintenance of the water services function within the municipality.		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	16,718	77,410
Current year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue - operating	(1,476,171)	(1,560,692)
Unspent amount transferred to liabilities (See Note 16)	90,547	16,718
The grant was used to promote and support reforms in financial management through financial management internship and reforms programmes. The revenue recognised met the conditions of the grant. The unspent balance is committed.		
Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	(0)	240,992
Current year receipts	890,000	800,000
Conditions met - transferred to revenue - operating	(892,658)	(1,040,992)
Unspent amount transferred to liabilities (See Note 16)	197,341	(0)
The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant. The unspent balance is committed.		
Water Services Grant		
Balance unspent at beginning of year	2,189,542	4,284,537
Current year receipts	9,180,000	6,500,000
Conditions met - transferred to revenue - capital	(6,131,527)	(7,557,013)
Conditions met - Value Added Tax - transferred to other revenue	(858,414)	(1,057,982)
Unspent amount transferred to liabilities (See Note 16)	4,359,601	2,169,542
This grant was used for refurbishment of the water schemes and water related infrastructure. The revenue recognised met the conditions of the grant. The unspent balance is committed.		



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
23 GOVERNMENT GRANTS AND SUBSIDIES (Cont.)		
Municipal Water Infrastructure Grant (MWIG)		
Balance unspent at beginning of year	-	-
Current year receipts	7,860,000	-
Conditions met - transferred to revenue - capital	(2,588,159)	-
Conditions met - Value Added Tax - transferred to other revenue	(358,542)	-
Unspent amount transferred to liabilities (See Note 16)	<u>4,732,299</u>	<u>-</u>

The grant was used for planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving basic water supply services. The revenue recognised met the conditions of the grant. The unspent balance is committed.

Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	123,048,282	86,076,993
Current year receipts	241,164,000	188,062,000
Conditions met - transferred to revenue - capital	(101,071,863)	(106,072,831)
Conditions met - transferred to revenue operating	(12,938,796)	(26,740,464)
Conditions met - Value Added Tax - transferred to other revenue	(15,961,492)	(17,277,426)
Unspent amount transferred to liabilities (See Note 16)	<u>234,240,132</u>	<u>123,048,282</u>

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and service delivery was done but for financial reporting purposes the asset recognition criteria is not met. The revenue recognised met the conditions of the grant. The unspent balance is committed.

Public Transport Infrastructure and Systems Grant (PTIG)		
Balance unspent at beginning of year	(22,439,808)	(62,841,514)
Current year receipts	123,762,000	98,703,000
Conditions met - transferred to revenue - capital	(52,758,786)	(43,604,499)
Conditions met - transferred to revenue operating	-	(7,536,986)
Conditions met - Value Added Tax - transferred to other revenue	(7,386,230)	(7,159,808)
Unspent amount transferred to liabilities/ (receivables) (See Note 16)	<u>41,177,177</u>	<u>(22,439,808)</u>

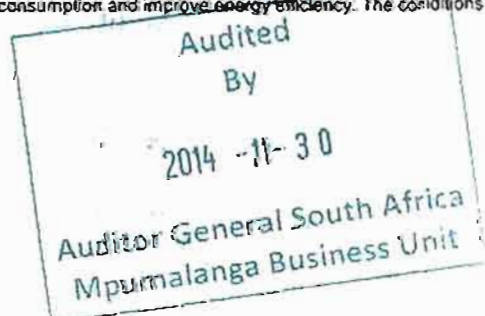
The grant was used for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The revenue recognised met the conditions of the grant. The unspent balance is committed.

Integrated National Electrification Programme Grant (INEP)		
Balance unspent at beginning of year	(3,362,252)	1,241,511
Current year receipts	8,000,000	-
Conditions met - transferred to revenue - capital	(264,817)	(4,055,932)
Conditions met - Value Added Tax - transferred to other revenue	(37,048)	(567,831)
Unspent amount transferred to liabilities/ (receivables) (See Note 16)	<u>4,316,085</u>	<u>(3,382,252)</u>

The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant. The unspent balance is committed.

Electricity Demand Side Management Grant (EOSM)		
Balance unspent at beginning of year	2,186,000	(2,814,000)
Current year receipts	-	5,000,000
Conditions met - transferred to revenue	(3,014,785)	-
Conditions met - Value Added Tax - transferred to other revenue	(422,070)	-
Unspent amount transferred to liabilities/ (receivables) (See Note 4)	<u>(1,250,855)</u>	<u>2,186,000</u>

The grant was used for implementation of the electricity demand side management in order to reduce electricity consumption and improve energy efficiency. The conditions of the grant were met.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
23 GOVERNMENT GRANTS AND SUBSIDIES (Cont.)		
Neighbourhood Development Partnership Grant (NDPG)		
Balance unspent at beginning of year	(347,488)	689,518
Current year receipts	-	-
Conditions met - transferred to revenue - capital	-	(909,654)
Conditions met - Value Added Tax - transferred to other revenue	-	(127,352)
Unspent amount transferred to receivables (See Note 4)	(347,488)	(347,488)

The grant was used for planning and development of neighbourhood development programmes with specific regard to the re-development in former R 293 townships. The conditions of the grant were met.

National Lottery Grant		
Balance unspent at beginning of year	9,619,036	10,036,218
Current year receipts	1,140	18,105
Conditions met - transferred to revenue - capital	(4,763,888)	(433,287)
Unspent amount transferred to liabilities (See Note 16)	4,856,289	9,619,036

The grant was used for Sports Development programmes. The revenue recognised met the conditions of the grant. The unspent balance is committed.

Disaster Relief Grant		
Balance unspent at beginning of year	1,309,695	2,458,020
Current year receipts	-	-
Conditions met - transferred to revenue - capital	(69,717)	(726,398)
Conditions met - transferred to revenue operating	(150,367)	(280,905)
Conditions met - Value Added Tax - transferred to other revenue	(30,812)	(141,023)
Unspent amount transferred to liabilities (See Note 16)	1,058,800	1,309,695

The grant was used for immediate responses to disaster within the municipality.

Expanded Public Works Programme (EPWP) Grant		
Balance unspent at beginning of year	144,323	-
Current year receipts	1,695,000	2,954,000
Conditions met - transferred to revenue - capital	-	(596,219)
Conditions met - transferred to revenue operating	(1,839,323)	(2,129,987)
Conditions met - Value Added Tax - transferred to other revenue	-	(83,471)
Unspent amount transferred to liabilities (See Note 16)	(0)	144,323

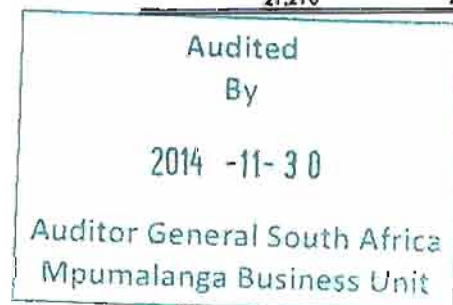
The grant was used to expand employment creation efforts as a national priority through the use of labour intensive delivery methods within the municipality. The conditions of the grant were met.

2013 Africa Cup of Nations Grant (AFCON)		
Balance unspent at beginning of year	-	-
Current year receipts	-	31,500,000
Conditions met - transferred to revenue - capital	-	(4,321,244)
Conditions met - transferred to revenue - operational	-	(26,573,782)
Conditions met - Value Added Tax - transferred to other revenue	-	(604,974)
Unspent amount transferred to liabilities	-	-

This grant was used for the hosting of the 2013 Africa Cup of Nations held by the municipality in terms of the host city agreement.

Other Provincial Grants		
Balance unspent at beginning of year	27,110	26,982
Current year receipts	160	128
Conditions met - transferred to revenue (Operating Provincial Housing)	-	-
Conditions met - transferred to revenue (Operating Community Libraries ICT)	-	-
Unspent amount transferred to liabilities (See Note 16)	27,270	27,110

The grants were utilised for various projects as set out in the conditions of the grants.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
24 RENTAL OF FACILITIES AND EQUIPMENT		
Advertising signs	3,532,003	2,419,349
Concession rental	2,275,995	2,275,995
Sundry grounds and buildings	1,726,683	2,419,972
Personnel housing	471,463	547,428
Halls	336,083	341,357
Other	64,946	84,850
Flats	74,120	58,869
Sports fields	117,410	99,292
Mbombela Stadium	8,993,404	10,008,249
Total Rental of Facilities and Equipment	18,582,109	18,285,561
25 AGENCY FEE		
Department of Roads & Transport		
Revenue received on behalf of the Department	118,341,308	96,017,160
Less: License Card Fees	(2,077,340)	(2,005,497)
Less: VAT on Agency Fee	(3,963,882)	(3,476,845)
Less: Accruals and Payments to the Department	(81,823,786)	(65,700,225)
Agency Fee	28,456,300	24,834,593
The municipality acts as an agent for the Department of Roads and Transport in collecting motor vehicle licence fees. The agency fee comprises of a percentage of the fees collected.		
26 OTHER REVENUE		
Administration fees (Debt Collection)	279,441	482,336
Building Plan Fees	1,306,220	1,085,052
Bursary recoveries	433,958	-
Burial Fees	309,343	357,009
Clearance Certificates	727,322	811,818
Concession Fee	2,414,832	2,357,039
Electrical Connections	3,990,841	2,298,181
Insurance Claims	20,075,562	898,521
Licensing & Testing Grounds	2,077,340	2,005,497
Prepaid Commission	1,353,480	1,461,525
Prescribed Creditors	4,542,778	7,152,461
Refund - Sector Education and Training Authorities (SETA)	1,141,063	1,969,951
Refund - Workman's Compensation Act (WCA)	604,311	542,523
Sale of Bid Documents	322,653	296,778
Sales - Sundry	98,718	77,017
Service Contributions	8,235,910	13,477,428
Sundry Income	4,699,818	8,792,419
Township Recovery Cost	20,715	876,857
VAT Revenue on Conditional Grants	25,055,606	27,019,885
Water Cost Recovery (Silulumanzi)	3,738,675	2,632,165
Total Other Revenue	81,326,386	72,784,443
27 FINES		
Traffic Fines	15,304,777	16,587,545
- Traffic Fines Issued	17,892,580	19,802,170
- Less: Withdrawals and Discounts	(3,000,093)	(3,876,320)
- Add: Traffic fines from Municipal Court	412,290	461,695
Fines - Electricity Meter Audit	19,705	91,576
Fines - Library Books	2,728	5,731
	15,327,210	16,684,852

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By
2014 -11-30
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Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
28 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	273,309,594	253,781,757
Employee related costs - Contributions for UIF, pensions and medical aids	78,245,044	72,334,086
Travel, motor car, accommodation, subsistence and other allowances	40,499,413	34,933,486
Housing benefits and allowances	2,524,635	2,735,701
Overtime payments	53,883,183	39,274,564
Long-service awards	3,977,444	3,472,979
Post retirement medical benefits	7,457,202	11,685,912
Total Employee Related Costs	459,896,516	418,218,486

There were no advances / loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	629,297	606,038
Vehicle & Other Allowances	228,585	304,780
Contributions to UIF, Medical and Pension Funds	139,771	186,272
Total	997,653	1,297,090

Remuneration of the Chief Operations Officer

Annual Remuneration	956,104	681,057
Vehicle & Other Allowances	177,359	131,047
Contributions to UIF, Medical and Pension Funds	165,224	123,918
Total	1,298,687	936,022

Remuneration of Individual General Managers

	Technical Services	Corporate Services	Community Services
2014			
Annual Remuneration	748,497	639,066	812,254
Vehicle & Other Allowances	218,469	281,500	180,000
Contributions to UIF, Medical and Pension Funds	132,006	188,898	206,544
Total	1,096,972	1,089,462	1,198,798

LED, Human

Remuneration of Individual General Managers

	Planning, Performance Monitoring and Evaluation, Communications and Information Technology	Settlement, Urban and Rural Development	Chief Financial Officer
2014			
Annual Remuneration	898,531	718,578	-
Vehicle & Other Allowances	41,470	168,000	-
Contributions to UIF, Medical and Pension Funds	159,017	162,888	-
Total	1,097,018	1,049,444	-

Remuneration of Individual General Managers

	Technical Services	Corporate Services	Community Services
2013			
Annual Remuneration	594,918	736,956	678,118
Vehicle & Other Allowances	153,393	280,779	180,000
Contributions to UIF, Medical and Pension Funds	109,556	187,533	176,430
Total	857,868	1,205,268	1,032,549

LED, Human

Remuneration of Individual General Managers

	Planning, Performance Monitoring and Evaluation, Communications and Information Technology	Settlement, Urban and Rural Development	Chief Financial Officer
2013			
Annual Remuneration	361,180	548,080	597,099
Vehicle & Other Allowances	34,073	128,000	72,818
Contributions to UIF, Medical and Pension Funds	50,753	155,510	152,071
Total	446,006	831,590	821,988

29 REMUNERATION OF COUNCILLORS

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 Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
Executive Mayor	848,997	706,005
Speaker	683,978	559,701
Executive Committee Members	6,355,207	5,261,870
Section 79 Committee	2,815,010	1,881,974
Councillors	9,231,447	6,942,596
Councillors' pension and medical aid contributions	1,551,360	1,452,284
Councillors' allowances	4,605,766	4,120,965
Total Councillors' Remuneration	25,891,785	20,925,396

Remuneration paid to all councillors are within the upper limits set by the Minister for Co-Operative Governance and Traditional Affairs as per his vested power set out in the *Remuneration of Public Office Bearers Act no 20 of 1998*.

In-kind Benefits

The Executive Mayor, Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties. Council further rented an official residence for the Executive Mayor in accordance with legislative prescripts and subsequent resolution taken by council. The Executive Mayor has been allocated staff for protective services.

Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council.

30

30.1 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

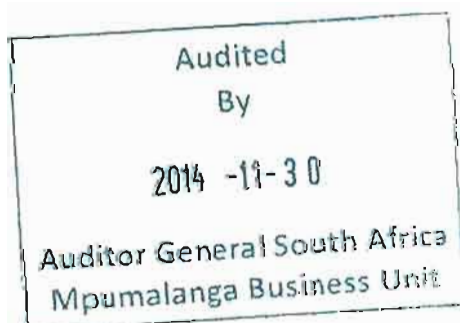
Depreciation :Property, plant and equipment	215,399,267	238,162,620
Impairment losses : Property, plant and equipment	73,258	-
Amortisation : Intangible assets	222,137	287,915
Depreciation : Investment property carried at cost	2,260,143	2,351,190
Total Depreciation, Amortisation and Impairment Losses	217,954,806	240,801,725

30.2 IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

The impairment loss relates to cemeteries classified under community assets which were physically damaged. This was identified during the annual physical verification process of all assets which was conducted at year end.

31 **FINANCE COSTS**

Finance costs on borrowings	24,144,325	25,245,980
Interest provided on provision for employee benefits and rehabilitation of landfill sites	14,486,283	16,452,653
Interest on trade payables	14,053,865	4,939,912
Total Finance Costs	52,684,473	46,638,545



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
32 BULK PURCHASES		
Electricity	422,494,179	405,581,815
Water	15,336,816	13,982,781
Total Bulk Purchases	437,830,995	419,564,596
33 CONTRACTED SERVICES		
Contracted services for:		
Audit Fees	2,586,740	1,500,558
Clearing illegal dumping	5,645,268	4,160,235
Consultation and development	1,070,282	2,084,339
Development of Master & Business Plans / Feasibility studies	954,512	2,318,844
Formalisation and township development	2,813,140	3,230,596
Household electrification & sanitation projects	8,435,922	26,402,854
Human resource programmes	2,619,443	148,083
Information technology (IT) services	12,596,657	11,487,034
Legal costs	5,745,865	3,227,479
Mbombela Stadium Management & Operational Costs	21,167,900	24,803,490
Meter reading services	3,306,445	2,701,387
Other services	9,971,674	2,558,152
Professional engineering services	34,396,391	8,161,826
Security services	43,053,491	22,277,526
Solid waste services	19,301,307	18,643,985
Valuation roll costs	1,314,172	2,659,769
Water purification and distribution	69,834,387	70,178,765
Total Contracted Services	244,593,595	208,544,924
34 GRANTS AND SUBSIDIES PAID		
Free basic electricity	2,767,755	3,810,084
Free basic water	17,500,000	17,500,000
Indigent subsidy	3,039,291	4,281,244
Grant to SPCA for animal care	399,975	282,214
Total Grants and Subsidies Paid	23,707,021	25,873,542

Audited
By
2014 -11-30
Auditor General South Africa
Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
35 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	306,843	448,980
Agency prepaid commission	2,468,281	2,182,808
Asset register update	-	3,054,414
Audit fees	4,282,203	3,261,252
Bank charges	2,546,240	2,509,319
Baseline study	-	2,419,798
Bursaries	3,202,728	3,297,307
Chemicals	1,274,988	1,121,850
Conferences and delegations	451,564	283,637
Drivers licence cards	2,016,260	2,009,850
Electrical connections	2,240,517	1,667,859
Electricity (own usage)	35,619,597	31,478,190
Entertainment & refreshments	1,854,971	1,315,027
EPWP programme	10,684,583	1,260,060
Financial management grant	1,476,171	1,574,379
Hosting of Africa Cup of Nations	-	41,433,949
Human resources programmes	5,387,329	2,304,316
Integrated Development Plan (IDP) operating projects	9,771,342	152,500
Insurance	8,575,183	5,938,970
Licence fees	4,720,852	3,542,025
Local economic development programmes	2,380,234	7,526,208
Marketing	340,058	1,095,990
Membership fees	4,474,754	3,366,007
Municipal Systems Improvement Grant	692,658	999,866
Other	8,825,667	17,144,331
Postage	1,592,328	1,530,979
Printing and stationery	3,307,654	3,150,012
Protective & official clothing	1,987,808	1,854,697
Public participation	4,145,741	2,561,167
Public transport management function	-	7,536,986
Recruitment and selection	269,070	456,666
Sewerage & water : Silulumanzi	14,529,549	10,863,244
Skills development levies	4,000,778	3,442,168
Sports programmes	2,427,278	2,655,510
Telephone	5,425,415	4,957,967
Tourism development	1,449,280	1,800,293
Training & Capacity Building	4,629,041	2,974,388
Transversal programmes	3,479,111	2,453,385
Travel and subsistence	4,123,963	4,214,639
Ward committees	4,481,565	4,584,418
Total General Expenses	169,421,604	198,222,416
36 REPAIRS AND MAINTENANCE		
Roads	47,802,611	49,519,430
- Dirt roads	29,850,471	28,801,208
- Streets & storm water	17,952,140	20,918,221
Water and sewerage infrastructure & services	4,660,634	8,454,590
Vehicles	31,830,242	26,407,153
Electrical infrastructure & services	35,372,573	25,709,897
Parks, gardens and open spaces	6,557,605	9,419,352
Buildings	10,802,844	8,374,873
Machinery & equipment	2,378,275	1,189,010
Traffic control equipment	1,284,480	1,624,309
Landfill site and Waste removal services	1,298,917	847,333
Sport facilities	2,323,245	832,534
Other	3,710,171	1,394,816
	148,019,597	133,783,000
37 PROFIT (LOSS) ON DISPOSAL OF ASSETS		
Property, plant and equipment	1,816,084	(1,000,562)
Total Profit / (Loss) on Disposal of Assets	1,816,084	(1,000,562)

Audited By
 2014 - 11-30
 Auditor General South Africa
 Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
38 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)		
Surplus/(deficit) for the year	(139,386,572)	(119,639,381)
Non -Cash movement		
(Gain) / loss on sale of assets	(1,816,084)	1,000,582
Increase in provisions relating to employee costs	20,529,978	33,621,587
Depreciation, amortisation and impairment losses	217,954,808	240,801,725
Actuarial (gain)/ loss	10,387,843	(63,766,151)
Fair value adjustment on provision	5,564,331	1,760,284
Donations received (assets)	(6,518,760)	(1,082,366)
Increase in impairment of receivables	48,538,778	81,139,830
Operating surplus before working capital changes:	155,254,320	173,836,091
(Increase)/ decrease in inventories	(425,808)	(666,785)
(Increase)/ decrease in trade receivables	(81,358,448)	(71,682,604)
(Increase)/decrease in other receivables	2,448,048	32,825,130
(Increase)/decrease in Value Added Tax	(8,540,681)	6,957,155
Increase/ (Decrease) in conditional grants and receipts	158,534,834	34,388,525
Increase/(decrease) in trade payables	40,375,380	62,818,476
Increase/(decrease) in consumer deposits	2,444,599	9,655,187
Increase / (decrease) in other liabilities	(19,688,704)	(10,578,228)
Net cash flows from operating activities	267,045,539	237,552,947

39 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	96,112,103	26,109,047
Bank overdrafts (cash book balance)	-	(6,550,920)
Net cash and cash equivalents (net of bank overdrafts)	96,112,103	19,558,127

40 CORRECTION OF ERROR

The reported net deficit for the previous financial year has been adjusted by the following errors:-

(90,825,482)

During the current reporting period the municipality discovered transactions which related to the previous financial year, relating to the following :

Increase in payables - Trade payables not accrued for the 2012/2013 financial year	(11,217,169)
Increase in accrued income - Straightlining of operating lease receipts	47,786
Decrease in inventory - Inventory written off during 2012/2013 financial year	(25,942)
Increase in receivables from non- exchange and revenue - Traffic fines not recognised in accordance with GRAP 23	12,836,849
Increase in repairs and maintenance - Correction of expenditure incorrectly recognised as work in progress	(4,341,752)
Decrease in receivables from non-exchange transactions - Impairment of traffic fine receivables	(10,602,425)
Decrease in receivables from non-exchange transactions - Loss on disposal of assets	(882,472)
Decrease in finance income - Reversal of fair adjustments on consumer deposits	(6,780,045)
Decrease in payables - Correction incorrect accrual of bonuses	76,418
Decrease in revenue - Accrual of service charges billed during the month of June 2013	(8,078,205)
Increase in loss on sale of assets	(433,412)
Decrease in depreciation - Reversal of depreciation on closed landfill sites	486,469
Net effect on surplus	(28,813,899)
Restated surplus for the period	(119,639,381)

Audited
By
2014 -11-30
Auditor General South Africa
Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
40 CORRECTION OF ERROR (cont.)		
The opening accumulated surplus has been adjusted for the following errors:-		4,850,182,545
Net effect on surplus		(28,813,899)
Prior to prior year adjustments effect:		(24,338,183)
Increase in payables - Trade payables not accrued for the 2011/2012 financial year		(2,678,572)
Increase in receivables from non exchange and revenue - Traffic fines not recognised in accordance with GRAP 23		40,134,634
Decrease in receivables from non-exchange transactions - Impairment of traffic fine receivables		(40,134,833)
Decrease in receivables - Cancellation of housing stands sales agreement		(257,453)
Decrease in property, plant and equipment- Sale of assets concluded in prior to prior financial years		(89,501)
Decrease in property, plant and equipment - Reversal of provision incorrectly capitalised on closed landfill sites		(52,796,857)
Decrease in investment property - Sale of assets concluded during 2002 and 2003 financial years		(2,598,156)
Decrease in other receivables - Refer to Drawer cheques written off		(100,025)
Increase in accrued income - Straightlining of operating lease receipts		183,841
Increase in revenue - Accrual of service charges billed during the month of June 2012 and prior years		34,404,273
Decrease in receivables - Reversal of interest incorrectly levied		(425,735)
Net effect on the opening balance of the accumulated surplus		(24,338,183)
Restated balance		4,597,030,462
Assets		27,016,755
Liabilities		2,678,572
Net effect on Statement of Financial Position:		24,338,183

41 CHANGE IN ACCOUNTING ESTIMATE

The provision for the rehabilitation of landfill sites was revised at year end and a change in the estimated cash flows required to settle the obligation was subsequently realised.

There was no effect on the current year's depreciation and interest cost resulting from the change in the accounting estimate as the review was conducted at financial year end. The change was added to the cost of the related asset in the current reporting period. The overall effect of the future periods is a cumulative increase depreciation cost of R 1,7 million over the remaining useful life of the related asset. The effect of the change for the next reporting period will amount to R 1.1 million increase in depreciation and R11 thousands increase in finance costs.

42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	7,074,487	6,190,876
Unauthorised expenditure current year	41,868,725	883,611
Condoned or written off by Council	(17,256,354)	-
Unauthorised expenditure awaiting authorisation/ condonement	31,686,859	7,074,487

Incident	Amount
Conditional grants used for other purposes not intended for.	24,612,372
Overspending of approved operating budget.	17,256,354
Council has approved the condonement of the over expenditure on the operating budget at its meeting held 21 August 2014 under item A(1).	(17,256,354)
Total unauthorised expenditure for the current year	24,612,372

Audited
By
2014 -11-30
Auditor General South Africa
Mpumalanga Business Unit

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (cont.)		
42.2 Fruitless and wasteful expenditure		
Reconciliation of Fruitless and wasteful expenditure		
Opening balance	13,339,745	7,873,134
Fruitless and wasteful expenditure current year	14,486,283	5,466,612
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting condonment	<u>27,826,028</u>	<u>13,339,745</u>

Incident	Amount
Interest charged by suppliers for late payments made after 30 days on receipt of invoices	14,486,283

Total fruitless and wasteful expenditure for the current year 14,486,283

42.3 Irregular expenditure

Reconciliation of Irregular Expenditure

Opening balance	77,728,913	43,196,325
Irregular expenditure current year	8,626,686	34,530,587
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Amount recovered	-	-
Unauthorised expenditure awaiting condonment	<u>86,353,598</u>	<u>77,726,913</u>

Incident	Amount
Supply Chain Management processes not followed on the appointment of service providers to provide security services to Council.	7,175,177
Awards made to suppliers prohibited by National Treasury	705,055
Supply Chain Management processes not followed to the latter on the appointment of service providers for catering, supply of other goods and services.	524,456
Contracts awarded to own temporary expanded public works programme (EPWP) employees.	221,997

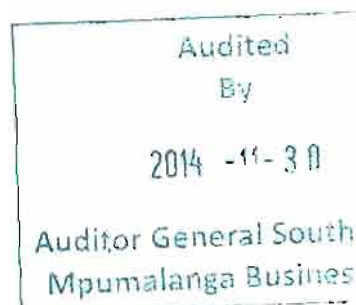
Total irregular expenditure for the current year 8,626,686

42.4 Material Losses

42.4.1 Electricity losses

Electricity Purchased (KW)	627,149,351	640,412,055
Electricity Sold (KW)	577,111,304	570,824,889
Electricity losses in KW	50,038,047	69,587,166
% Loss	8.0%	10.9%
Unit cost per KW	R 0.69	R 0.57
Electricity losses In Rand value	<u>34,526,252</u>	<u>39,664,685</u>

The total electricity losses comprises of both technical and non- technical losses. Technical losses are as a result of various reasons including the ageing of the network, electrical resistivity and incorrect meter calibration. Non-technical losses are mainly as a result of illegal connections, theft, incorrect meter reading and billings.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (cont.)		
42.4.2 Water losses		
Water pumped and distributed (KI)	3,684,056	3,526,143
Water sold (KI)	2,413,362	2,536,337
Water distribution losses in KI	1,270,693	989,806
% Loss	34.5%	28.1%
Average Cost per KI	R 3.08	R 2.76
Water losses in Rand value	<u>3,913,734</u>	<u>2,731,865</u>

* KW = Kilowatts

* KI = Kiloliters= cubic metres (m³)

The total water losses comprises of both technical and non- technical losses. Technical losses includes the decaying reticulation system as a result of inadequate refurbishment and maintenance of the system. Non- Technical losses includes leaks, non- revenue water and illegal connections to the system

Statistics for the Kabokweni area has not been included due to the lack of a 24 hours water supply which affects the metering system not to register properly.

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT AND APPLICABLE REGULATIONS

Section 125 of the Municipal Finance Management Act No. 56 of 2003

Contributions to the South African Local Government Association (SALGA)

Opening balance	118,198	962,821
Council subscriptions	4,436,352	3,361,300
Amount paid - current	(4,436,352)	(3,243,104)
Amount paid - previous years	(118,196)	(962,821)
Balance unpaid (Included in payables)	<u>-</u>	<u>118,196</u>

Audit fees

Opening balance	-	30,951
Current year audit fee	4,282,203	3,261,252
Amount paid - current year	(4,282,203)	(78,439)
Amount paid - previous years	-	(3,215,764)
Balance unpaid (Included in payables)	<u>-</u>	<u>-</u>

VAT

Opening Balance	(5,908,812)	1,048,342
Total Amount claimed from SARS during the year	53,270,233	44,919,513
Total Amount received during the year	(36,359,159)	(50,414,189)
Adjustments after 30 June	(8,370,394)	(1,462,478)
VAT (payable) / receivable	<u>2,631,868</u>	<u>(5,908,812)</u>

VAT Input receivables are shown in note 5. All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

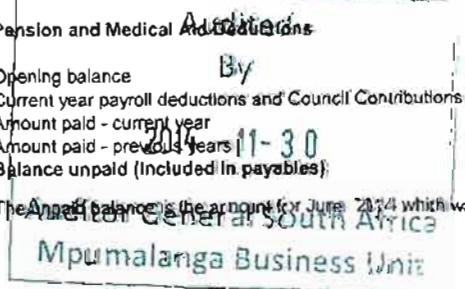
Opening balance	4,114,774	3,851,639
Current year payroll deductions	61,627,236	48,660,393
Amount paid - current year	(56,188,138)	(44,545,619)
Amount paid - previous years	(4,114,774)	(3,851,639)
Balance unpaid (Included in payables)	<u>5,439,100</u>	<u>4,114,774</u>

The unpaid balance is the amount for June 2014 which was payable in July 2014

Pension and Medical Aid Contributions

Opening balance	8,660,120	8,018,821
Current year payroll deductions and Council Contributions	111,153,748	101,848,897
Amount paid - current year	(101,798,670)	(93,188,777)
Amount paid - previous years	(8,660,120)	(8,018,821)
Balance unpaid (Included in payables)	<u>9,355,078</u>	<u>8,660,120</u>

The unpaid balance is the amount for June 2014 which was payable in July 2014



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT AND APPLICABLE REGULATIONS (cont.)

Section 124 of the Municipal Finance Management Act No. 66 of 2003 Councillor's arrear consumer accounts

	Less than 90 Days	90 Days and +	Total
The following Councillors had arrear consumer accounts as at : 30 June 2014			
Councillor A Kumba	486	6,450	6,936
Councillor B A Zulu	1,598	19,811	21,409
Councillor B N Mdluli	1,036	10,977	12,012
Councillor H L Thwata	180	960	1,140
Councillor I M Tlou	1,396	5,760	7,157
Councillor J Sidell	1,474	3,517	4,990
Councillor K E Maziya	27	979	1,006
Councillor M J Msibi	365	3,089	3,454
Councillor M S Magagula	1,358	33,755	35,114
Councillor N W Motubaise	1,049	6,183	7,232
Councillor S N Nyalunga	31,722	13,692	45,414
Councillor S R Mabuza	557	7,987	8,544
Total councillors arrear consumer accounts	41,249	112,140	153,389

The following Councillors made arrangements for payments or settled the amounts outstanding after the reporting period

Councillor I M Tlou
Councillor J Sidell
Councillor S N Nyalunga

	Less than 90 Days	90 Days and +	Total
The following Councillors had arrear consumer accounts as at : 30 June 2013			
Councillor A Kumba	447	11,560	12,007
Councillor B A Zulu	1,714	25,743	27,456
Councillor B N Mdluli	1,031	11,425	12,456
Councillor J A Mkhonto	760	23,702	24,462
Councillor K E Maziya	42	3,188	3,230
Councillor M J Msibi	305	1,807	2,113
Councillor M S Magagula	971	19,982	20,953
Councillor S N Nyalunga	1,159	35,754	36,913
Councillor S R Mabuza	537	20,028	20,565
Total councillors arrear consumer accounts	6,968	153,189	160,155

Section 36 of the Supply Chain Management Regulations

Deviations from Supply Chain Management Policy	12,949,949	46,260,730
Total deviations from Supply Chain Management	12,949,949	46,260,730

Refer to Appendix E for details of the Supply Chain Management deviations.

44 COMMITMENTS

44.1 Commitments in respect of capital expenditure

Approved and contracted for	515,015,551	281,492,874
Infrastructure	458,728,173	244,908,352
Community	23,389,947	31,260,671
Other	32,897,431	5,323,851
The expenditure will be financed from	515,015,551	281,492,874
Accumulated Surplus	24,802,892	32,956,696
External Loans	23,403,182	59,797,126
Government Grants	466,809,477	188,739,052

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
44 COMMITMENTS (cont.)		
44.2 Operating Leases		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
44.2.1 Operating leases - lessee		
Not later than one year	692,018	1,361,787.81
Later than one year and not later than five years	2,132,736	792,984
Later than five years		
Total	2,824,754	2,154,772

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its properties and motor vehicles. Leases are negotiated for an average term of five years. No contingent rent is payable.

44.2.2 Operating leases – lessor

Minimum lease payments due

Not later than one year	1,296,822	2,865,593
Later than one year and not later than five years	945,871	2,179,945
Later than five years	75,080	137,628
Total	2,317,573	5,183,165

Operating Leases consists of the following:

Operating leases revenue consists of rental receivable to the municipality for certain properties leased.

Certain of the municipality's property, plant and equipment is leased to the water concessionaire. The rental amount after five years has not disclosed due to the five year periodical review.

Certain investment property and land is leased to various lessees through signed lease agreement. The lease period varies from one to five years depending on each circumstances contained in the lease agreement. No contingent rent recognised as revenue in the reporting period.

45 RELATED PARTIES

Remuneration of management is disclosed Note 28 to these annual financial statements.

Remuneration of councillors and other in-kind benefits is disclosed in Note 29 to these annual financial statements.

Mbombela Economic Development Agency (MEDA) was established by the Municipality as a service utility in terms of Section 86H of the Municipal Systems Act No 32 of 2000 through the passing of the by-law. The municipality has significant influence over the agency. The agency is a dormant section 21 company.

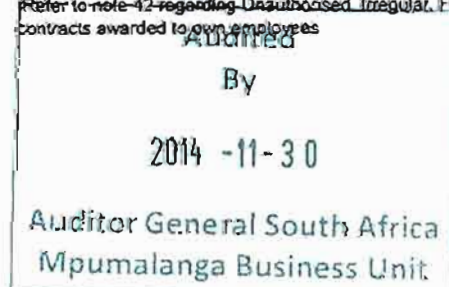
45.1 Related party balances

There is no related party indebtedness for the reporting period.

45.2 Related party transactions

Contracts awarded to close family members of municipal officials	193,493	765,621
Contracts awarded to own temporary expanded public works programme (EPWP) employees	221,997	-
	415,490	765,621

Refer to note 42 regarding Unauthorised, Irregular, Fruitless and Wasteful expenditure disallowed for contracts awarded to own employees



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014	Restated 2013
		R	R
45 RELATED PARTIES (cont.)			
45.2.1 Contracts awarded to close family members of municipal officials			
Name of a company	Name of Official	Relationship	Amount
Msuduka Trading CC	JL Lubisi	Spouse	108,955
JVC Cleaning Services	JC Broodryk	Spouse	54,588
GM Sihlangu Construction	P J Sihlangu	Spouse	29,950
			193,493

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Municipality has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the annual financial statements.

Council has established a risk management committee, which is responsible for reviewing the effectiveness of the institutional risk management systems, policy, procedures and practices.

Credit risk

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations.

- Trade and other receivables from exchange transactions
- Non-current receivables from exchange transactions
- Investments
- Non-current investments
- Other non-current financial assets
- Cash and cash equivalents

Trade and other receivables from exchange transactions

The Municipality's trade and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. The Municipality's exposure is continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of consumer and other receivables. No consumer or other receivables have been pledged as security. Certain consumer and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the consumer and other receivables have been re-negotiated with counterparties.

Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

Cash and cash equivalents

The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

	2014 R	2013 R
Maximum exposure to credit risk at reporting date for each class of financial assets was:		
Cash and cash equivalents	96,112,103	19,558,127
Non-current investments	14,383,987	13,696,409
Trade and other receivables from exchange transactions	106,210,915	64,687,623
Other receivables from non-exchange transactions	36,011,806	36,856,282
Non-current receivables from exchange transactions	434,358	473,009
Current portion of non-current receivables from exchange transactions	38,480	17,729
Total maximum exposure to credit risk	252,718,811	134,798,441

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

Impairment disclosures for current financial assets carried at amortised costs

All of the Municipality's financial assets have been reviewed for indicators of impairment. Certain receivables and investments were found to be impaired and a provision of **R261 442 418** (2013 : R 346 230 919) has been recorded accordingly. The impaired consumer receivables are mostly due from consumers defaulting on service costs levied by the Municipality. Refer to Note 3 for the impairment reconciliation of consumer and other receivables.

Some of the unimpaired consumer receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2014	2013
	R	R
Not more than 180 days	99,115,540	88,779,360
More than 180 days but not more than 3 years	11,741,969	15,507,992
More than 3 years	8,634,898	7,189,325
	119,492,407	111,476,677

The balances reflected as unimpaired debtors are

The ageing of impaired consumer receivables at reporting date was as follows:

	2014	2013
	R	R
Not more than 180 days	58,901,843	52,266,761
More than 180 days but not more than 3 years	158,633,289	143,895,813
More than 3 years	45,907,276	149,968,345
	261,442,418	346,230,919

Reconciliation between gross and net balances

	Gross Balances	Allowance for debt impairment	Net Balance
	R	R	R
2014			
Trade and other receivables from exchange transactions	197,886,859	96,479,883	101,406,976
Trade and other receivables from non-exchange transactions	183,047,987	164,962,535	18,085,432
	380,934,826	261,442,418	119,492,408
2013			
Trade and other receivables from exchange transactions	198,998,623	134,311,001	64,687,623
Trade and other receivables from non-exchange transactions	232,808,639	211,919,918	20,888,721
	431,807,262	346,230,919	85,576,344

Reconciliation of the allowance for impairment

	2014	2013
	R	R
Balance at beginning of the year	346,230,919	315,285,414
Contributions to provision	37,337,191	70,537,405
Doubtful debts written off against provision	(166,839,289)	(39,591,900)
Balance at end of year	216,728,821	346,230,919

Market risk

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

Interest rate risk

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only four interest bearing borrowings as indicated in Appendix A.

At year end, financial instruments exposed to interest rate risk were as follows:

- Investments
- Borrowings

Fair value sensitivity analysis on fixed rate instruments

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

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MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2014

	Up to 1 year	1 - 5 years	> 5 years
Borrowings	16,016,973	168,589,420.63	55,479,204
Other financial liabilities	39,641,635	-	-
Trade and other payables	459,720,278	-	-

At 30 June 2013

	Up to 1 year	1 - 5 years	> 5 years
Borrowings	14,259,575	10,864,148	178,583,877
Other financial liabilities	59,328,339	-	-
Trade and other payables	385,172,506	-	-

Concentration of credit risk

The concentration of the credit risk associated with:

	2014
Borrowings	18.16%
Other financial liabilities	2.99%
Trade and other payables	34.62%

47 CONTINGENT LIABILITIES

Damage Claims

Prollus F.B. /Mbombela Local Municipality – A defamation claim against council and certain employees with Case number 10377/07 has been instituted. Council has appointed K T Mokoena as legal representatives. The claim against Council amounts to R100 000.00 and R100 000.00 is against an employee of Council.

The court date has been set for 7 July 2014. (2013 : R 100 000)

R K Phelambe / Minister of Police / Mbombela Local Municipality (MLM)
A claim against council was instituted through High Court summons received for unlawful arrest and defamation. The municipality is contesting the claim based on external legal advice through the appointment of K T Mokoena attorneys as legal representative. A court date was set for October 2013 and plaintiff passed away.
(2013: R 2 050 000)

Finishing Touch 544 (Pty) Ltd vs Mbombela Local Municipality. A damages claim against council through high Court Combined Summons served with case 66425/12 for the UB 40 concert to the amount of R 1 557 168.00. Council is contesting the case through appointed legal representatives, Kruger & Partners. Council requested security of costs of which the plaintiff did not comply with the request. (2013 : R 1 557 166)

S Mhaule vs Mbombela Local Municipality. A claim against council has been instituted through combined summons – Magistrate's Court with a Case number 996/2013 to the amount of R 19 000.00 for "verbal agreement". The case is defended through appointed legal representatives – Nkosi Attorneys and Associates. (2013 : R0).

R

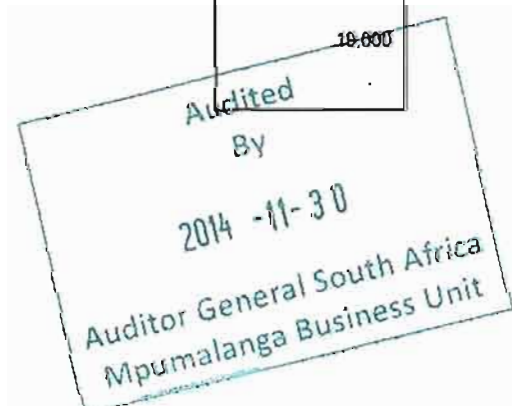
3,726,166

100,000

2,050,000

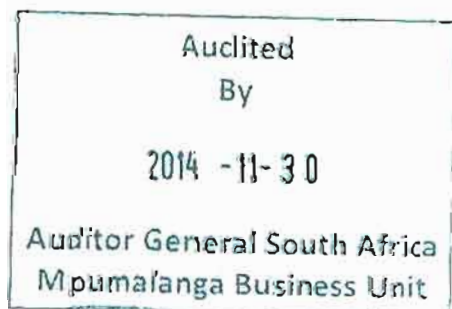
1,557,166

18,000



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
47 CONTINGENT LIABILITIES (cont.)		
Contract Claims	R	
	15,354,017	
Ensemble Trading 546 LTD / Mbombela Local Municipality (MLM) - A procurement dispute claim through High Court summons emanating from a forged cession of payment agreement which was not honoured by council. Council is contesting the claim based on external legal advice. Council was granted leave to appeal to defend and an undertaking not to proceed with the summary judgement was made by the applicant's legal representatives. The case is dormant. (2013: R 2 540 043)	2,540,043	
SCIFIN (Pty) LTD / Mbombela Local Municipality (MLM) - A procurement claim against council due to termination of a service contract between council and Gestetner, which was ceded to SCIFIN. Council is contesting the claim based on external legal advice through appointed legal representatives- Mzuzu Attorneys. A court date was set for 6 August 2013 and the case was therefore postponed sine die. Negotiations are underway by both parties. (2013: R 535 358)	535,358	
Basil Read/Mbombela Local Municipality - A claim against council has been instituted through summons for operational expenses, goods supplied & services rendered to the amount of R 1 142 863.64. The claim is defended through Sinky Nkosi/Mentjies and Khoza Attorney as legal representatives. Of the total amount claimed, an amount of R374 357.60 plus VAT and 15.5% Interest was settled out of court as council was not in dispute. Leave to defend the balance amounting to R768 506.04 was granted.	768,506	
The entire claim is currently being disputed due to Supply Chain Management process not being complied with to the latter. A supplementary affidavit in this regard has been filed by Council. (2013: 768 506)		
Department of Water Affairs / Mbombela Local Municipality - Unilaterally amended agreement for the provision of free raw water for a period of 6 years within the Nsikazi/ Kanyamazane area. (2013: R 11 510 110)	11,510,110	
Total Contingent Liabilities	19,080,183	



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
48 CONTINGENT ASSETS		
Contract Claims	8,135,463	
Mbombela Local Municipality / Du Toit Smuts and Mathews Phosa Attorneys - Council is claiming for breach of contract for guarantees not sustained. The claim is pursued through external legal representatives appointed - K T Mokoena (2013: R1 135 483)	1,135,463	
Mbombela Local Municipality / Desert Wind Properties - Council is claiming for recovery of service contribution and breach of service agreement. The claim is pursued through external legal representatives appointed - K T Mokoena (2013: R 7 000 000)	7,000,000	
Total Contingent Assets	8,135,463	

49 COMPARISON WITH THE APPROVED BUDGET

Actual Amount on comparable basis as presented in the Budget and Actual Comparative Statement

The approved budget was prepared on an accrual basis of accounting and similar classification with few exceptions. The final budget represents the last budget approved by Council. The approved budget covers the fiscal period from 1 July 2013 to 30 June 2014.

The annual financial statements and the approved budget are prepared on the same basis except for presentation and certain accounting entries which are performed at year end. This includes the movement of provisions, actuarial valuation of defined benefit plan obligation and long service awards.

49.1 Reconciliation of accounting surplus (deficit) for the period and budgeted operating actual surplus (deficit) amounts

Total Revenue (Excluding Capital Transfers & Contributions)	1,537,670,614
Total Expenditure	1,831,748,353
Surplus/(Deficit)	(294,077,739)
Transfers recognised	170,643,340
Surplus/(Deficit) after capital transfers & contributions	(123,434,398)
Actuarial gain (loss) on defined benefit liability	(10,387,843)
Fair value adjustment on provision for rehabilitation of landfill sites	(5,564,331)
Surplus (Deficit) for the year (statement of financial performance)	(139,386,572)

49.2 Explanation of significant variances greater than 10%

Statement of Financial Performance:

Revenue:

Transfers recognised - Operational

The variance is due to the overall underspending on projects funded through grants and subsidies. The revenue on conditional grants is recognised only when the conditions of the grants are met. Projects which are budgeted for under the capital budget which do not meet the asset definition and recognition criteria are expensed to the operational expenditure and the budget is also transferred.

Transfers recognised - Capital

The variance on capital grants is due to the overall underspending on capital projects funded grants and subsidies. The revenue on the capital conditional grants is recognised only when the conditions of the grants are met. There are numerous contributing factors to the overall underspending which included amongst others, the unstable cash flow situation and other institutional arrangements challenges.

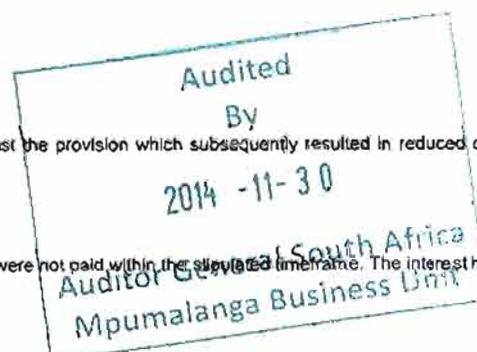
Expenditure:

Debt Impairment

The variance is as a result of the write off of irrecoverable debts against the provision which subsequently resulted in reduced contribution to the provision for the year.

Finance charges

The variance is as a result of interest charged for bulk purchases which were not paid within the stipulated timeframe. The interest has been disclosed as fruitless and wasteful expenditure.



MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R

49 COMPARISON WITH THE APPROVED BUDGET (cont.)

Statement of Financial Position:

Current liabilities

The variance is as a result of the underperformance on the spending of capital conditional government grants and trade and other payables from exchange transactions. The budgeted amount for trade and other payables amounted to R 188 million in comparison with the actual amount of R459 million thus giving a variance of R273 million (147%). The budgeted amount for unspent conditional grants amounted to R132 million compared to the actual amount of R295 million resulting in a variance amount of R163 million (123%). The increase in trade and other payables is mainly as a result of austerity measures not being fully implemented.

Non-current liabilities

The significant variance on the non-current liabilities is mainly attributable to the actuarial valuation on defined benefit plan liability for post retirement medical benefits and long service awards as required by the standard on employee benefits- Generally Recognised Accounting Practice (GRAP) 25. The total budgeted amount for the post-employment benefits amounted to R78 million and the actual amount of R 130 million for the defined benefit plan liability and R45 million relates to the long service awards as per the actuarial valuation performed at year end resulting in a variance of R97 million.

The other contributing factor is as a result of the provision for the rehabilitation of landfill sites for which the municipality has a present legal obligation in terms of the Generally Recognised Accounting Practice (GRAP) 19. The provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The amount of R29 million was budgeted for and the actual provision emanating from the review process amounted to R91 million resulting in a variance of R62 million (214%).

Cash Flow Statement

Net cashflows from operating activities

The variance is mainly due to increase in payments to suppliers (cash outflow) which is attributable to lack of implementation of the austerity measures. The implementation of the approved turnaround plan will assist in minimising non-priority spending.

Net cash flows used in investing activities

The significant variance is mainly attributable to the underspending of conditional capital government grants where the overall budgeted amount to be utilised in investing activities was R595 million in comparison with the actual capital expenditure of R 220 million indicating a variance of R375 million.

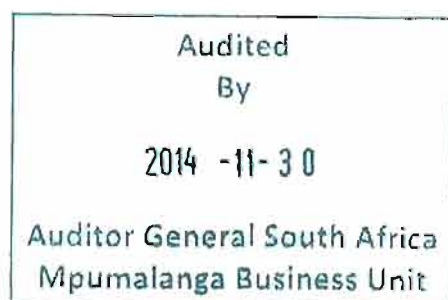
Net cash from financing activities

The variance is mainly as a result of the underperformance on the implementation of capital projects funded through the borrowings which has a direct impact on the amount received due to the draw down arrangements with the Development Bank of Southern Africa (DBSA).

50 EVENTS AFTER THE REPORTING DATE

Non-adjusting events

- Council has at its meeting held 05 June 2014 under item A(4) resolved to approve the payment incentive strategy wherein customers will be allowed to make payment arrangements on 50% of their outstanding debt and the other 50% be written off during the month of September 2014. The effect on the impairment of receivables could not be determined at the time of the finalisation of the annual financial statements given the customer turn out, prequalifying terms and conditions of the incentive strategy.



MBOMBELA LOCAL MUNICIPALITY
SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX A

SCHEDULE OF INTEREST BEARING BORROWINGS AS AT 30 JUNE 2014

Borrowings	Loan No.	Redeemable	Balance at 1 July 2013	Interest paid during the period	Interest accrued during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2014
			R	R		R	R	R
INTEREST BEARING BORROWINGS								
Local Registered Stock								
Stock Loan@ 11.60%	3	1976/2001	3 000	-	-	-	-	3 000
			<u>3 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 000</u>
Annuity Loans								
OBISA R21 600 000 @ base rate of R203 plus the Margin (10.74%)		2014/2019	-	111 276	-	3 074 576	148 794	2 925 781
OBISA R22 000 000 @ 15.50%		1998/2016	10 864 148	1 531 694	(96,483)	-	2 452 941	8 314 724
OBISA R138 600 000 @ base rate of R186 plus the Margin (11.73%)		2014/2029	-	1 497 223	12,082	48,716,913	-	48 728 995
OBISA R200 000 000 @ 12.62%		2010/2030	177 151 508	19 387 276	-	-	10 122 944	167 028 564
STD R25 000 000 @ 10.50%		2005/2020	15 668 742	1 699 918	-	-	1 584 210	14 084 532
			<u>203 684 398</u>	<u>24 227 387</u>	<u>(84 401)</u>	<u>51 791 488</u>	<u>14 308 889</u>	<u>241 082 596</u>
TOTAL INTEREST BEARING BORROWINGS			<u><u>203 687 398</u></u>	<u><u>24 227 387</u></u>	<u><u>(84 401)</u></u>	<u><u>51 791 488</u></u>	<u><u>14 308 889</u></u>	<u><u>241 085 596</u></u>

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST							ACCUMULATED DEPRECIATION							Carrying Value
	Opening Balance 01 July 2013	Correction of error	Additional Transfers	Under Construction	Change in estimate	Transfers	Disposals	Closing Balance 30 June 2014	Opening Balance 01 July 2013	Correction of error	Additions	Disposals	Impairment losses	Closing Balance 30 June 2014	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
LAND AND BUILDINGS	658,656,300	-	756,233	18,105,984	1,695,560	(66,930)	(132,090)	879,095,037	59,243,826	-	5,842,223	-	-	65,086,049	614,002,188
Land	476,757,235	-	51,200	-	-	(66,930)	(132,090)	476,808,415	-	-	-	-	-	-	476,808,415
Buildings	124,556,966	-	705,033	18,105,984	-	-	-	143,447,563	52,579,383	-	4,919,965	-	-	57,499,348	85,948,614
Land fill site	57,342,099	-	-	-	1,695,560	-	-	58,037,659	6,664,243	-	922,257	-	-	7,493,500	51,544,159
INFRASTRUCTURE	4,458,269,902	-	53,640,844	139,420,758	-	-	-	4,651,330,603	1,187,710,105	-	120,768,182	-	-	1,308,478,287	3,342,862,367
Roads, pavements, bridges & stormwater	1,794,335,355	-	49,084,907	60,883,717	-	-	-	1,903,903,979	599,867,648	-	37,431,308	-	-	637,299,956	1,266,604,029
Water reservoirs & reticulation	1,234,422,825	-	1,335,629,74	60,476,673	-	-	-	1,306,238,128	325,753,957	-	36,217,677	-	-	361,970,634	1,024,267,264
Electricity	581,544,747	-	-	5,764,939	-	-	-	690,313,686	124,486,761	-	19,915,584	-	-	144,402,345	445,911,341
Sewerage purification & reticulation	747,966,074	-	3,219,308	19,604,428	-	-	-	770,789,811	137,598,729	-	27,134,835	-	-	164,733,563	606,056,247
COMMUNITY ASSETS	1,376,293,562	-	5,938,771	8,790,010	-	-	-	1,390,822,343	236,668,174	-	70,340,285	-	73,258	307,081,716	1,083,440,647
Parks & gardens	33,318,257	-	-	-	-	-	-	33,318,257	699,595	-	66,667	-	-	765,262	32,552,995
Sports fields	1,250,751,546	-	-	7,888,816	-	-	-	1,258,640,362	226,832,633	-	68,612,927	-	-	295,445,561	1,001,375,870
Community halls	34,296,198	-	5,938,771	420,325	-	-	-	40,654,294	6,636,170	-	1,153,860	-	-	8,790,030	33,864,253
Libraries	5,924,047	-	-	-	-	-	-	6,924,047	933,129	-	-	-	-	1,311,295	4,612,752
Clinics	517,625	-	-	-	-	-	-	517,625	311,436	-	-	-	-	337,481	180,144
Cemeteries	13,558,820	-	-	-	-	-	-	13,558,820	2,256,211	-	203,319	-	73,258	2,531,787	10,857,133
INVESTMENT PROPERTIES	348,213,238	-	-	-	-	(66,930)	-	348,230,198	11,852,499	-	2,260,143	-	-	14,112,642	334,117,556
INTANGIBLES	10,361,501	-	-	-	-	-	-	10,361,501	4,667,664	-	222,137	-	-	4,890,001	5,471,499
Software and other	5,770,532	-	-	-	-	-	-	5,770,532	4,667,664	-	222,137	-	-	4,890,001	890,931
Services	4,590,969	-	-	-	-	-	-	4,590,969	-	-	-	-	-	-	4,590,969
OTHER ASSETS	191,825,868	-	9,725,209	8,100	-	-	(5,377,483)	195,181,394	58,572,530	-	34,919,452	(5,225,411)	-	108,265,571	86,915,513
Other motor vehicles	100,788,602	-	2,635,350	-	-	-	(5,002,641)	98,421,311	49,539,379	-	7,609,143	(4,098,257)	-	53,302,266	45,119,046
Office equipment	37,622,580	-	6,734,104	-	-	-	(1,580,143)	42,776,541	19,655,465	-	3,548,164	(1,118,283)	-	22,099,045	20,847,495
Markets	662,131	-	-	-	-	-	-	662,131	60,434	-	9,988	-	-	80,390	572,742
Security measures (including fencing)	387,955	-	-	-	-	-	-	387,955	363,139	-	-	-	-	383,189	4,816
Other (including IT)	52,364,599	-	305,046	8,100	-	-	(15,058)	52,662,647	28,853,113	-	3,552,196	(13,672)	-	32,391,732	20,271,714
SPECIALISED VEHICLES	44,086,564	-	-	-	-	-	(2,773,117)	41,296,466	15,809,222	-	3,590,206	(2,163,245)	-	17,216,184	24,040,283
Refuse	14,661,554	-	-	-	-	-	(1,140,351)	13,521,203	6,265,984	-	1,356,652	(623,814)	-	9,679,622	4,841,589
Conservancy	4,381,066	-	-	-	-	-	(1,340,690)	3,040,376	2,181,312	-	240,654	(1,078,352)	-	1,340,414	1,990,961
Fee	25,025,994	-	-	-	-	-	(292,076)	24,733,918	5,361,926	-	2,012,859	(1,469,179)	-	7,187,166	17,847,741
SUB TOTAL	7,087,569,073	-	79,684,844	198,094,831	1,895,560	(66,930)	(9,282,093)	7,379,087,322	1,614,524,920	-	217,284,960	(7,400,666)	73,258	1,825,063,165	5,490,889,382
Leased Assets	444,086	-	-	-	-	-	-	444,086	444,086	-	-	-	-	444,086	101
Office equipment	444,086	-	-	-	-	-	-	444,086	444,086	-	-	-	-	444,086	101
TOTAL	7,088,013,159	-	79,684,844	198,094,831	1,895,560	(66,930)	(9,282,093)	7,379,531,408	1,614,968,106	-	217,284,960	(7,400,666)	73,258	1,825,513,255	5,490,990,483

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**

	HISTORICAL COST							ACCUMULATED DEPRECIATION						Carrying Value
	Opening Balance 01 July 2012	Correction of error	Additions/ Transfers	Under Construction	Change in estimate	Transfers	Disposals	Closing Balance 30 June 2013	Opening Balance 01 July 2012	Correction of error	Additions	Disposals	Impairment losses	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
LAND AND BUILDINGS	705,868,832	(53,888,818)	882,287	5,798,127	-	-	-	658,858,390	64,350,472	(1,442,539)	6,336,692	-	-	69,243,625
Land	478,809,225	(135,960)	-	-	-	-	-	478,757,235	-	-	-	-	-	478,757,235
Buildings	118,029,382	-	882,287	5,645,377	-	-	-	124,556,986	47,769,418	-	4,919,966	-	-	52,679,383
Land fill site	118,844,275	(53,752,965)	-	160,750	-	-	-	57,342,060	6,581,055	(1,442,539)	1,415,727	-	-	6,564,243
	785,898,532	-	-	-	-	-	-	-	-	-	-	-	-	59,717,558
INFRASTRUCTURE	4,280,801,217	(8,938,798)	2,487,525	735,879,785	-	-	(770,837)	4,458,289,002	1,049,582,367	-	138,639,448	(431,808)	-	1,187,719,105
Roads, pavements, bridges & stormwater	1,898,643,905	-	-	126,041,310	-	(2,349,660)	-	1,794,335,555	645,689,865	-	54,277,762	-	-	699,967,648
Water reservoirs & reticulation	1,327,276,731	-	726,400	42,964,519	-	(38,534,824)	-	1,334,422,825	289,330,205	-	36,419,763	-	-	325,750,000
Electricity	581,912,004	(4,597,007)	1,771,225	2,458,557	-	-	581,544,747	581,544,747	104,321,017	-	20,165,744	-	-	457,057,968
Sewerage purification & reticulation	882,768,580	(3,341,761)	-	31,425,398	-	35,884,654	(770,837)	747,966,074	110,252,380	-	27,776,157	(431,808)	-	610,369,345
COMMUNITY ASSETS	1,360,075,827	-	2,879,843	13,451,813	-	-	-	1,376,205,662	181,578,024	-	75,092,156	-	-	234,668,174
Parks & gardens	33,316,257	-	-	-	-	-	-	33,316,257	633,628	-	65,967	-	-	699,585
Sports fields	1,276,586,616	-	-	12,174,500	-	-	-	1,288,761,116	153,309,748	-	73,492,865	-	-	1,414,563,724
Community halls	30,342,482	-	2,675,649	1,276,893	-	-	-	34,294,824	4,562,876	-	1,063,534	-	-	35,821,234
Libraries	5,924,047	-	-	-	-	-	-	5,924,047	712,728	-	220,400	-	-	6,657,175
Clubs	517,625	-	-	-	-	-	-	517,625	285,381	-	26,045	-	-	829,051
Cemeteries	13,388,920	-	-	-	-	-	-	13,388,920	2,005,802	-	203,319	-	-	15,598,041
INVESTMENT PROPERTIES	360,677,357	(2,764,119)	-	-	-	-	-	348,213,238	0,697,272	(165,063)	2,361,190	-	-	348,099,467
INTANGIBLES	10,381,591	-	-	-	-	-	-	10,381,591	4,379,949	-	287,915	-	-	14,989,455
Software and other	5,770,932	-	-	-	-	-	-	5,770,932	4,379,949	-	287,915	-	-	10,438,796
Service marks	4,610,659	-	-	-	-	-	-	4,610,659	-	-	-	-	-	4,610,659
OTHER ASSETS	188,216,094	-	6,737,261	893,980	-	(2,021,382)	-	191,825,862	89,050,191	-	14,586,956	(1,044,927)	-	95,572,530
Other motor vehicles	101,586,051	-	799,075	-	-	(1,594,124)	-	100,790,902	41,902,098	-	5,347,182	(624,812)	-	105,399,370
Office equipment	32,999,938	-	4,892,305	-	-	(180,712)	-	37,622,560	17,186,547	-	2,615,570	(145,652)	-	49,898,725
Markets	272,496	-	-	389,836	-	-	-	662,332	71,479	-	8,965	-	-	742,776
Security measures (including fencing)	387,965	-	-	-	-	-	-	387,965	383,109	-	-	-	-	771,074
Other (including IT)	50,969,564	-	1,137,226	504,354	-	(246,548)	-	52,364,596	25,496,930	-	3,595,249	(238,065)	-	78,692,710
SPECIALISED VEHICLES	44,069,584	-	-	-	-	-	-	44,069,584	11,855,058	-	3,953,166	-	-	15,808,224
Refuse	14,661,564	-	-	-	-	-	-	14,661,564	6,833,753	-	1,332,231	-	-	8,265,984
Emergency	8,381,066	-	-	-	-	-	-	8,381,066	1,794,647	-	386,665	-	-	2,181,312
Fire	21,026,954	-	-	-	-	-	-	21,026,954	3,226,658	-	2,234,270	-	-	5,561,926
SUB TOTAL	6,918,183,421	(85,961,837)	13,702,609	225,021,714	-	-	(2,792,210)	7,068,249,697	1,376,383,340	(1,608,502)	241,226,517	(1,478,335)	-	1,614,524,020
Leased Assets	444,086	-	-	-	-	-	-	444,086	382,408	-	61,678	-	-	444,086
Office equipment	444,086	-	-	-	-	-	-	444,086	382,408	-	61,678	-	-	444,086
TOTAL	6,918,627,507	(85,961,837)	13,702,609	225,021,714	-	-	(2,792,210)	7,068,693,783	1,376,765,748	(1,608,502)	241,288,195	(1,478,335)	-	1,614,968,106

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX C ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %
Financial services	944,728	-	944,728	1,328,040	(383,312)	-29%
Corporate Services	5,871,961	-	5,871,961	12,888,458	(6,854,519)	-53%
Technical Services	65,880,644	138,736,048	204,616,691	547,064,216	(156,719,066)	-29%
Office of the Municipal Manager	5,788	-	5,788	5,788	-	0%
Planning performance monitoring and evaluation	4,372,632	-	4,372,632	5,245,492	(872,860)	-17%
Local Economic development, human settlement and rural development	123,002	8,973,725	9,096,727	15,466,714	(6,369,987)	-41%
Community Services	7,033,135	4,114,316	11,147,451	6,971,008	(1,762,328)	-25%
TOTAL	84,231,890	151,824,089	236,055,979	588,968,716	(172,962,071)	-29%

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

2013 ACTUAL INCOME R	2013 ACTUAL EXPENDITURE R	2013 SURPLUS / (DEFICIT) R		2014 ACTUAL INCOME R	2014 ACTUAL EXPENDITURE R	2014 SURPLUS / (DEFICIT) R
1,338,366	32,831,383	(31,493,017)	Executive & Council	-	40,972,003	(40,972,003)
684,386,265	348,875,272	340,930,884	Finance & Admin	732,059,202	428,018,179	304,041,023
5,847,447	38,661,085	(32,813,638)	Planning & Development	4,877,208	34,657,923	(29,780,715)
32,217	4,064,080	(4,031,863)	Health	-	280,300	(280,300)
438,928	45,051,572	(44,622,033)	Community & Social Services	466,091	46,373,667	(45,907,576)
16,899,199	66,320,009	(51,666,468)	Public Safety	15,423,162	76,357,876	(60,934,714)
41,998,418	171,660,162	(119,786,457)	Sport & Recreation	17,147,719	152,497,114	(135,349,395)
-	5,803,718	(5,803,718)	Environmental Protection	1,013	3,202,972	(3,201,959)
65,179,290	110,523,304	(45,344,014)	Waste Management	70,488,825	123,056,024	(52,567,198)
190,202,611	195,383,006	(5,069,114)	Road Transport	186,219,239	150,304,187	35,915,053
16,322,595	107,389,304	(91,066,709)	Waste Water (Sewerage)	17,289,998	60,315,807	(43,025,809)
48,152,847	164,414,199	(111,220,290)	Water	51,630,673	193,092,200	(141,461,527)
541,402,451	501,868,226	47,079,483	Electricity	610,894,738	522,620,098	88,274,640
1,612,200,634	1,792,845,320	(180,644,886)	Sub-Total	1,706,497,870	1,831,748,350	(125,250,480)
-	(63,766,151)	63,766,151	Actuarial Gain/(Loss)	-	10,387,845	(10,387,845)
-	1,760,284	(1,760,284)	Fair value adjustments	-	5,564,331	(5,564,331)
-	1,000,562	(1,000,562)	Gain/(Loss) on sale of assets	1,816,084	-	1,816,084
1,612,200,634	1,730,079,732	(119,639,381)	Total	1,708,313,954	1,847,700,526	(139,386,572)

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
	R	R	R	R
A J Broom Road Products	-	-	214,525	214,525
A Xaba	4,970	-	-	4,970
Absa Trust	-	-	716,417	716,417
Akhalways	-	-	1,200	1,200
Amber Elektrics	34,941	-	179,275	214,216
Andre Staal En Sweiswerke Bk	-	-	22,655	22,655
Anjugin Pty Ltd	-	-	155,039	155,039
Anthonsman Investments Cc	45,292	-	-	45,292
Austen Locksmiths Nelspruit	-	-	1,140	1,140
Babata Pumps Pty Ltd	-	-	59,230	59,230
Bafune Construction And Electrical	18,982	-	-	18,982
Bardoworld Equipment	-	-	12,259	12,259
Bc Landscape Training And Consultancy Cc	-	-	51,991	51,991
Bee's Africa Development	-	-	63,000	63,000
Bell Equipment Co	-	-	94,950	94,950
Bercoexpress	-	-	243	243
Boitumetshile Project	-	-	8,100	8,100
Bowcom Line Marking Systems Pty Ltd	-	-	35,219	35,219
Bpg Mass Appraisals	-	-	7,166	7,166
Brendan Trading Enterprise	44,078	-	25,593	69,671
Brondal Group T/A Mommson Investments Cc	-	-	6,864	6,864
Butk Mail Northern Region	-	-	148,238	148,238
Buscor Pty Ltd	-	-	6,990	6,990
City Lodge	-	-	3,021	3,021
Clere Skills Consultants	-	-	30,000	30,000
Conway General Supplies	-	-	2,264	2,264
Costa Do Sol	-	-	45,381	45,381
Coth Trade 041	21,039	-	-	21,039
Crawleys Locksmiths	-	-	3,000	3,000
D Mac Hydraulics & Engineering	-	-	691,096	691,096
Dawson And Dobson (Pty) Ltd	17,351	-	-	17,351
Deaf Federations Of South Africa	-	-	8,152	8,152
Delta Blue Trading 67	-	-	23,017	23,017
Dept Of Community Safety, Security And Liaison	-	-	75,051	75,051
DHL	-	-	1,982	1,982
Du Toit Smuts & Mathews Phosa	-	-	102,022	102,022
E.E Korkie	-	-	15,000	15,000
Eastern Transvaal Rubber Stamp	-	-	3,950	3,950
Eb's Elektriese Kontrakteur Bpk	-	-	5,107	5,107
Electra T.A.T.N	-	-	23,285	23,285
Elixir Business Innovations	-	-	6,999	6,999
Elster Kent Metering Pty Ltd	-	-	40,812	40,812
Ematjeketje Arts Ensemble	-	-	10,000	10,000
Engineering Council Of South Africa	-	-	1,502	1,502
Escon	-	-	14,000	14,000
Euro Suit	-	-	25,300	25,300
Exclusive Books	-	-	65,311	65,311
Fintech	-	49,710	-	49,710
Flongwe Investments Pty Ltd	-	-	3,200	3,200
FNP Communication Pty Ltd	-	-	29,640	29,640
Forrest Fantasy Trading 50cc	-	-	36,785	36,785
Four Tyms Trading Enterprise	-	-	10,950	10,950
Government Printing Works	-	-	9,771	9,771
H20 International	-	-	1,050	1,050
Happy Goals Trading	15,701	-	44,417	60,118
Harward Media Solutions Pty Ltd	-	-	13,800	13,800
Hasler Business Systems	-	-	2,899	2,899
Henque 3870cc T/A Jj Hydraulic	-	-	40,180	40,180
HJ Van As	-	-	29,500	29,500
Hlengiwe Ngomane	-	-	5,000	5,000
Icasa	-	-	6,908	6,908
Imbulukusa General Trading Pty Ltd	-	-	10,900	10,900
IMESA	-	-	4,275	4,275
IMFO	-	-	865	865
Imperial Nelspruit	-	-	100,719	100,719
J P Barnard Drukkery Ond Cc	-	-	11,228	11,228
John Maytham Investments	-	-	172,805	172,805

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
K T Mokoena Attorneys	-	-	338,495	338,495
Kels Toilet Hire And Enterprises	-	-	14,200	14,200
Kenfan Trading	11,600	-	35,390	46,990
Keysense Enteralment	-	-	10,000	10,000
Kgotso Edward Construction Cc	5,500	-	-	5,500
Knowledge Base Sales	-	-	31,379	31,379
Komatsu S.A Pty Ltd	-	-	5,042	5,042
Konica Minolta South Africa	-	-	7,980	7,980
Kruger Cultural Village	-	-	29,000	29,000
Kwabakuhle Cultural	-	-	10,000	10,000
Lafarge Cement	-	-	70,200	70,200
Lebea And Associates	-	-	48,441	48,441
Lexis Nexis	-	-	22,015	22,015
Lightstone	-	-	4,104	4,104
Undi & Menzi	-	-	29,050	29,050
Lowveld Brake Cc	-	-	23,478	23,478
Lowveld Canvas Cc	-	-	8,925	8,925
Lowveld Garage Equipment Cc	-	-	103,569	103,569
Lowveld Maintenance Plumbers	-	-	4,868	4,868
Lowveld Propshaft Rebuilders	-	-	2,721	2,721
Lowveld Telephone Systems	-	-	19,111	19,111
Luncedvo Trading Enterprise	-	-	8,100	8,100
Mahhumane Trading	-	-	1,200	1,200
Mahiya Trading	-	-	8,952	8,952
Mandlakazi Electrical Tech	22,722	-	-	22,722
Manfra Trading Proprietors Pty Ltd	-	-	9,050	9,050
Maphuzane General Trading	-	-	34,000	34,000
Maripane Q	-	-	4,000	4,000
Matjelane Trading	21,693	-	77,623	99,316
Matjeya Bricks And Construction	-	-	2,200	2,200
Maisebula N J	-	-	4,000	4,000
Mavaleni Security Solutions	-	-	418,300	418,300
Mavule Trading Cc	-	-	28,728	28,728
Mbhudi Trading Pty Ltd	2,650	-	-	2,650
Mbuso Joseph Trading	52,678	-	13,228	65,906
Mbuyane Traditional Council	-	-	20,000	20,000
Mcondvo General Trading	-	-	2,200	2,200
Mculu Incorporated	-	-	463,193	463,193
Mdwane Trading	-	-	9,500	9,500
ME Madonsela Attomeys	-	-	497,619	497,619
Mecsvi Construction	-	-	105,268	105,268
Mhango L	-	-	7,000	7,000
Mhlengwa Transport	-	-	10,864	10,864
Midnight Star Trading 523	-	-	3,010	3,010
Mindmuzik Media (Pty) Ltd	-	-	5,047	5,047
Mmetwtsimagolo Trading	-	-	29,315	29,315
Mnoluzi Trading Cc	155,202	-	53,755	208,957
Mona	-	-	15,000	15,000
Ms Nhlapo	-	-	6,800	6,800
Mthunz Mashawule Trading	6,000	-	-	6,000
Municipal Council Mbabane	-	-	17,500	17,500
MV Gwala And Associates Inc	-	-	370,500	370,500
Mxol Trading	-	-	3,150	3,150
Mzuzu Attorneys	-	-	87,902	87,902
Nashua Lowveld	-	-	855	855
Ncetshe Construction	-	-	6,840	6,840
Nel Trophies Cc	-	-	94,608	94,608
Nel auto	-	-	4,482	4,482
Nelspruit Auto Electrical	2,604	-	29,813	32,417
Nelspruit Auto Motors Pty Ltd	-	-	95,187	95,187
Nelspruit Brake & Clutch	-	-	5,147	5,147
Nelspruit City Improvement District	-	-	250,000	250,000
Nelspruit Fuel Injection And Auto	-	-	5,177	5,177
Nelspruit Generators	-	-	11,286	11,286
Network	-	-	1,400	1,400
Ngeniswa Trading Enterprise	-	-	13,200	13,200
Ngoba Patrick T/A Pat Ngobeni Land Survey	-	-	5,700	5,700
Nhlazana Trading	-	-	25,696	25,696

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
Nikiwe Jennepher Masebula	-	-	4,000	4,000
Nowill Trading	-	-	9,620	9,620
Nihebe N	-	-	8,500	8,500
Ntsengu Trading Enterprise	-	-	8,300	8,300
Numbi Motors	-	-	245,729	245,729
On The Dot	-	-	1,740	1,740
Open Water Advanced Risk Solutions Pty Ltd	-	-	146,695	146,695
Otto Waste Systems	-	-	26,280	26,280
Outsource Digital	-	-	5,668	5,668
Outsource Group Sa Pty Ltd	-	-	2,028	2,028
P M Tuning	-	-	6,785	6,785
Palmae Garden Services	-	-	30,050	30,050
Parash Mahara T/A P.M Tuning	-	-	83,439	83,439
Pc Smil Pompe	125,830	-	458,581	582,410
Phehla Konke Trading And Projects 46 Cc	-	-	87,800	87,800
Pj Coetzee T/A Spray Air Services	-	-	8,582	8,582
Pmr C.J Hallingh & Sons	-	-	9,200	9,200
Post Office	-	-	109,683	109,683
Power One Mult Trading	-	-	9,881	9,881
Produkta Motors	547	-	218,325	218,873
Prof Dr HJ Van As	-	-	20,150	20,150
Pronto	-	-	3,411	3,411
Protea Truck Den	645	-	47,652	48,297
Protea Tyres Nelspruit Cc	-	-	15,848	15,848
Qhumanani Trading And Enterprise	-	-	3,000	3,000
Quanu Trading	8,200	-	-	8,200
Quickfit Electrical	137,519	-	-	137,519
Rescue Pty Ltd	36,309	-	-	36,309
Richard Trading	-	-	37,092	37,092
Ricoch	-	-	3,773	3,773
Risa And Shine Performers	-	-	10,000	10,000
Robbiatich	-	-	29,364	29,364
Rudamans Nelspruit Pty Ltd	5,284	-	220,552	225,835
Sa Post Office	-	-	137,310	137,310
SACPVP	-	-	2,960	2,960
Samunathy Trading	-	-	18,490	18,490
Sandton Gearbox And Diff Centre Cc	-	-	594,123	594,123
Sblah Trading Enterprise Cc	19,900	-	-	19,900
Sebata Dispute Resolution Agency	-	-	57,276	57,276
Sellier Construction Experts	-	-	1,037	1,037
Servimix 136	9,605	-	-	9,605
Silinda Mokoena & Associates	-	-	59,539	59,539
Sinaitsembha Trading	-	-	27,000	27,000
Sipambli Distributors	-	-	35,000	35,000
SITA	-	-	40,747	40,747
Sitamantzi Contractors Cc	28,480	-	157,651	184,131
Siwintle Lubambo Trading	-	-	2,400	2,400
Siya Thuthuka Construction	-	-	23,700	23,700
Skhisha Trading	-	-	3,600	3,600
Slam Paper Distributors And Courier	-	-	4,650	4,650
Soft Touch Computing Cc	-	-	96,308	96,308
Solhambo General Trading Cc	3,570	-	-	3,570
South African Council For The Propr	-	-	1,840	1,840
South African Road Federation	-	-	37,275	37,275
Sowetan	-	-	896	896
Squirrels Fast Foods	-	-	1,525	1,525
Statquip Cc/IA my Office	-	-	7,638	7,638
Super Brake Services	-	-	884	884
Supsika Trading	3,065	-	-	3,065
Syntell Pty Ltd	-	-	28,958	28,958
T M Chauke Inc	-	-	138,289	138,289
Technology Integrated Solutions	-	-	152,859	152,859
The Communication Academy	-	-	6,259	6,259
The Courier And Freight Group Pty Ltd	-	-	3,316	3,316
The Lowveld/Mpumalanga News	-	-	275,083	275,083

MBOMBELA LOCAL MUNICIPALITY

SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

APPENDIX E				
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT				
Name of Company	Emergency	Single Provider	Exceptional	TOTAL
The Photo Pro Trust	-	-	3,750	3,750
The Wineglass Hotel & Spa	-	-	60,500	60,500
Thubu General Trading	-	-	6,500	6,500
Thully Thillies Trading & Projects	-	-	3,200	3,200
Times Media	-	-	896	896
Times Media T/A Van Schalk Bookshop	-	-	11,489	11,499
Tovard Trading 299	-	-	25,650	25,650
Tri-Cor Industries Sa Pll Ltd	-	-	19,929	19,929
Truvelo Manu Pty Ltd	-	29,417	2,942	32,359
Tswelopele Funeral Services	-	-	17,100	17,100
Turner Morris Pty Ltd	-	-	56,281	56,281
Twain2 Aidio	-	-	2,480	2,480
Union Motors Nelspruit	-	-	411,251	411,251
University Of Johannesburg	-	-	52,500	52,500
Uxhumano Communications	-	-	17,684	17,684
Value Logistics	-	-	40,574	40,574
Van Wettens Breakdown Services	-	-	32,922	32,922
Waltons Stationary	-	-	33,215	33,215
Wendy Lane Cc	-	-	19,290	19,290
Westvaal Delta Nelspruit	-	-	136,563	136,563
WISA	-	7,300	-	7,300
Woolworths Group Pty Ltd	-	-	13,078	13,078
Zwide Development	28,084	-	-	28,084
Total	888,042	86,427	11,975,480	12,949,949